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26 March 1982

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2250



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DEPUTY PLANNING COMMISSION VIEWS 1982 EXPORT-IMPORT PLAN

Prague MLADA FRONTA in Czech 10 Feb 82 p 3

[Interview with Eng Jan Strba, deputy chairman of State Planning Commission by Miroslav Pavel: "Plan 1982: We Shall Pay for Imports with Exports"; date and place not given]

[Text] [Question] After fuels and energy, foreign trade is another area which is of key importance in the 1982 national economic plan. How would you characterize Czechoslovakia's present situation with reference to external economic relations?

[Answer] All speculations about our economy, in my opinion, must be based on the fact that we must exchange approximately 25 percent of our gross national product with foreign countries because the structure of manufactured commodities is designed for export. This reflects, above all, the fact that Czechoslovakia is a processing country which imports a considerable proportion of its raw-materials needs: 100 percent of crude oil, almost 100 percent of iron ore, 90 percent of natural gas, and the same applies to non-ferrous metals, rubber, cotton and wool. This in itself does not constitute a problem. It becomes a problem only when we examine the so-called exchange relation or relation between our import and export prices. This exchange relation underwent major and well-known changes in world trade during the last decade--prices of raw materials began to increase more rapidly than the prices of finished products. Naturally, we also felt this in our country. Everybody can find the respective figures in the Statistical Yearbook: if we take the year 1970 as the initial basis and designate it as 100...

[Question] Does this mean that the import of 100 commodity units cost us 100 exported units?

[Answer] Exactly. The exchange relation was 90 in 1975 and only 82 in 1980. In other words, for each 100 imported units we had to export approximately 120 units. To put it very simply: the import of any commodity is becoming increasingly expensive for our economy because we have to pay for it by steadily increasing exports of our commodities.

[Question] Does this apply in relation to the nonsocialist countries only or also to trade within CEMA?

[Answer] Trade between the socialist countries is also carried out on the basis of world prices. This is nothing new, because this principle has been observed since the 1950's. Why world prices? The main reason is that world prices in the final analysis reflect the world value in money, that is the amount of socially necessary labor in production of a specific commodity. For this reason, they not only play the role of an equalizer in trade between countries--commodities are ultimately exchanged in the relation which corresponds to the amount of labor put into their production and recognized as necessary by the market--but also contain the competitive factor, a comparison between the top and lagging producers. The socialist countries cannot ignore this process of equalization and competition, and just "play in their own backyard". This will logically result in their lagging behind.

[Question] Except that world prices to a considerable extent also affect the phenomena which are typical of the functioning of the capitalist economy. Does this exert a negative influence on the socialist economy?

[Answer] In the first place, I would like to emphasize that we do not have to interpret every price increase on the world market as a negative phenomenon. If the social expenditures necessary for production of a specific commodity increase--this is typical, for example, in those instances when production needs increasingly expensive energy--then the increase in the world prices is objective. An adverse effect can, of course, be exerted by various business fluctuations caused by the erratic development of capitalist economies. The CEMA members try to offset this by using the 5-year averages of world prices in their long-term trade agreements. The averages effective during the previous five-year plan were always applied to the next five-year plan.

[Question] This principle, however, has not been observed for a long time.

[Answer] Right. CEMA adopted the principle of sliding prices as early as 1970. This means that the 5-year average is always computed retroactively, but this average is moved forward every year without waiting for the end of the five-year plan. The reason for such price policy is clear: the price changes on the world market take place so rapidly that the present arrangement providing for price changes only once every 5 years actually slowed down the adaptability of socialist economies to the conditions on the world markets.

[Question] Does the principle of sliding prices also apply to products which Czechoslovakia exports?

[Answer] Naturally. Personally I am convinced that this principle could be of great advantage for us, if only we were to learn how to use it.

[Question] What do you mean?

[Answer] If we managed to innovate our products more rapidly, we could more often demand the revision of existing prices. New prices are determined in accordance with the momentary situation on the world markets.

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[Question] The revision of prices depends, of course, not only on us, but also on our customers. What is the course of price negotiations between two CEMA countries?

[Answer] It is similar to other price negotiations. The seller asks a higher price and the buyer offers a lower one. In order to reach reasonable agreement, both partners must present technical and economic documentation. If we sell a piece of equipment, for example, we try to support our price demand by the argument that this or similar equipment is sold at a certain price on the world markets. Our partners naturally may argue and present documentation that they know equipment which is even better of that they have already bought it at a lower price. It is always a matter of specific agreement.

[Question] In connection with CEMA, there has frequently been talk about the stability of sales and production. Does not this stability also mean price stagnation? After all, if we do not offer new products, we cannot open new price negotiations. Such a commodity which we have already been exporting for a long time, is for example, the CME locomotive. How is it with their price?

[Answer] If the world market prices of some products reflect, for example, the increase in prices of raw materials and energy inputs, this will also be reflected in our prices. As to locomotives, for example, there have been no substantial innovations on the world market in recent years, but their production costs and thus also their prices continued to rise. This increase in the price of our locomotives exported in 1981 amounted to approximately 30 percent. However, we should not find consolation in this increase because the competitive struggle forces the world producers to sell the unchanged product at an unchanged price and to offset higher production costs by more efficient production. The basic tendency should therefore be to innovate products even during a five-year plan. Czechoslovak manufacturers, however, have demonstrated little initiative in this respect.

[Question] At the beginning of our interview you quoted some figures on the deteriorating exchange relation in Czechoslovak foreign trade. Higher technical standards of exported products for which we could then demand higher prices is one of the potential solutions to this problem. What are, in your opinion, other alternatives?

[Answer] It became clear during the Sixth Five-Year Plan that with considerable effort we were able to maintain a balance in our relations with the so-

cialist, but not with the nonsocialist, countries. In relation to the socialist countries, this necessitated increased exports of our goods. From the long-term standpoint, I am of the opinion that our economy should be able to function without external funds. This certainly does not mean that we will not also in the future receive and grant various trade and bank credits. This already lies in the nature of trade. But for fundamental reasons, we cannot finance by credits that difference between exports and imports which arises from the fact that our economy is not able to export with adequate profit. To offset this difference by credits is a very dangerous economic policy.

There are many ways of dealing with this problem, but I regard the three outlined below as the most important. Incidentally, I want to stress that not only we, but the entire world, tries to make use of them. In the first place, we must reduce pressure on the balance of payments by importing less of those raw materials which are the most expensive. This is mainly crude oil. Here are some interesting figures: while in 1970 we paid for imports of crude oil and natural gas with approximately 3-4 percent of our exports, the corresponding figure will be 22 percent this year. Yet, the quantity of imported gas and crude oil increased only 20 percent during this period. The import of crude oil from the Soviet Union is still more advantageous for us. We will pay 115-120 rubles for a tone of crude oil in 1982, while the price on the world markets is 178-180 rubles. Expediency is corroborated by another calculation. If we imported all crude oil from the nonsocialist countries--for example, from the nearest Arab countries by way of the Adriatic crude oil pipeline--the total import of crude oil at the price of \$274 per ton would cost us Kcs 60.8 billion, while our total exports to the nonsocialist countries are approximately Kcs 8 billion smaller. How would we then pay for the purchases of cotton and wool, nonferrous metals and modern equipment? Secondly, we must manufacture more products from the imported raw and industrial materials, and thirdly these articles must have a high technical standard and will, therefore, command higher prices.

[Question] As to the economic relations within CEMA, it has been pointed out with increasing frequency in recent years that there were many unused opportunities of cooperation, for example, in the manufacture of cars or the electronics industry.

[Answer] I completely agree with this view. In most instances we hold on the traditional approach: "If we manufactured something in the past, we should continue making it." The result is small-scale production, but ours. We must learn to think in different terms. Production costs exceeding the world average automatically debit our balance of payments and create an imbalance in our foreign trade relations. Having participated in many negotiations, I got the impression that other socialist countries show much greater initiative in this respect.

[Question] Why is it so? Do not half the workers in the enterprise sphere enough information for comparing our production costs with the world average? Should we not compile a list of production programs in Czechoslovakia which do not meet this basic criterion?

[Answer] There is enough information available. The manufacturers can learn the world prices. First of all, there is a list of foreign exchange rates and strict rules for computing their relation to domestic prices. We have a number of indicators--beginning with the differential indicator which compares the wholesale price with the price attained abroad, the indicator of capitalization of materials and labor in terms of foreign exchange and so on. Moreover, analyses of production and export efficiency have been worked out in detail for the economic production units and foreign trade organizations. It thinks that a compilation of the list of production programs to a certain date would represent only a partial solution. Production and foreign trade should jointly compile such a list of advantages and disadvantages of production, exports and imports continuously because the conditions of world trade also change all the time. I am convinced that the Set of Measures whose one section focuses on financial incentives related to foreign-trade results will also exercise pressure in this respect.

[Question] The workers in the enterprise sphere frequently complain that the principle of foreign-exchange controls, that is, the release of foreign-exchange funds in the bank earned by imports only after the enterprise met its export target, considerably restrains the flexibility of production.

[Answer] I do not like at all your term "controls" because it sounds like a sort of restriction.

[Question] Is it not a restriction?

[Answer] It is and is not a restriction at the same time. Let us look at the facts. Despite persistent warnings by the Czechoslovak State Bank, machinery in the approximate value of Kcs 2.5 billion was imported from the capitalist states in 1981 which was not put into operation for various reasons. Just imagine the returns if we had made this sum available to the banks where the present interest rate is 17 percent. How can we buy machinery for stock, when everybody knows that the rate of capital investment was cut down? Why should we stock such large quantities of imported raw materials, when we do not need them? Competitiveness among the world producers is, in addition to other things, reflected in their keeping minimum inventories because they do not want expensive capital to lie fallow. For these reasons, we are compelled to exercise some control over import needs which, after all, is done by every country which tries to keep its balance of payments in equilibrium. We make no secret of the fact that we are in a similar situation. We therefore regulate. On the other hand, however, this is no regulation but rather an economic linkage of a special kind which offers to every manufacturer the possibility of additional imports if they are backed by corresponding exports.

[Question] Will this not lead to the situation that everything that is not "nailed down"--metaphorically speaking--will be exported? I have in mind particularly the relations with the nonsocialist countries. Are, for example, exports of metallurgical material, coke, brown coal advantageous for us?

[Answer] Let us begin with coke. It is our traditional export article. I am all in favor of continuing its exports because any other utilization would

be possible only through the metallurgical process, and this would mean additional imports of iron ore and energy. The prices of coke in the area of free currencies are advantageous, and so every reduction of domestic consumption represents a direct gain in foreign exchange. A similar situation exists in regard to browncoal from the Sokolov region which we export to the GDR. This business started at a time when it seemed to us that we would not need as much coal because we would replace it with refined fuels--crude oil and natural gas. We signed a long-term contract with a steam power plant in the GDR to supply it with coke and we cannot back out of it because, according to international usage, we would have to pay not only damages, but also the cost of conversion to another type of fuel. Moreover, the prices of coal and coke are continuously adjusted in relation to the increase in price of other power-generating raw materials. It is true that the exports of metallurgical materials are being curtailed, but let me point out something in this context: if the engineering industries were to produce as much foreign exchange as the exports of metallurgical products, they would have to increase their exports 50 percent immediately. And this is impossible--apart from the fact that machinery is sold on credit, while the metallurgical materials are paid for in cash. Their export is still advantageous for us and it would be even more advantageous, if we improved the quality or were able to deliver ready-made steel structures.

[Question] Will we not increase production and exports of traditional consumer products?

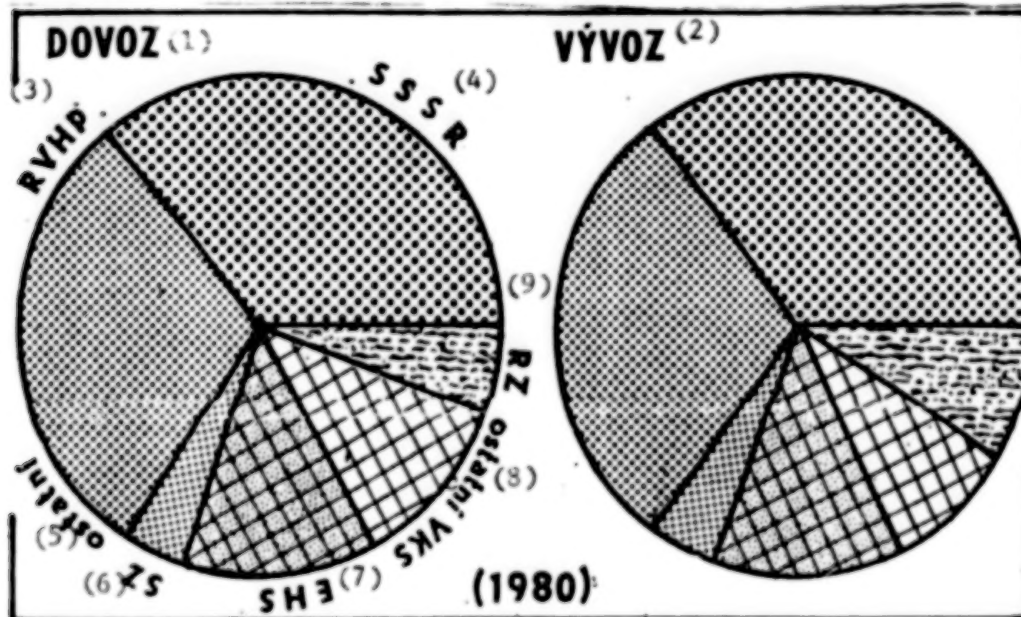
[Answer] Glass exports are obviously very profitable, particularly if we have in mind glass with certain artistic features. The same applies to ceramics, costume jewelry and others. A considerable part of this group of exports is accounted for by textile products, garments and shoes whose production depends to a considerable extent on imported materials. We try to pay by exports for imports of raw materials not only for export purposes, but also domestic needs. From the standpoint of foreign-exchange requirements it would be expedient to reduce the production volume. However, because we also need cotton, wool and leather for domestic consumption, these sectors must also produce for export. If we plunged into production of consumer goods exclusively, this definitely would not represent a panacea for all problems involved.

[Question] Does this mean that the engineering industries cannot free themselves from their national economic responsibility for most of our exports?

[Answer] The answer is: no. Moreover, their tasks will be even more difficult to fulfill. They are increasing their exports by 12 percent this year. This is a realistic goal if we are able to offer technically better products and merchandising improves. We should not refuse any request from abroad simply because the machinery or equipment is not included in the production program. With the help of licenses, subcontractors and cooperation, we can master the situation. Foreign manufacturers are doing the same thing, and we can also do it within our system.

[Question] You are one of the experts who possess most information on Czechoslovakia's relations with the world, and on all successes and failures in this area. Do you judge our present situation with pessimism or optimism?

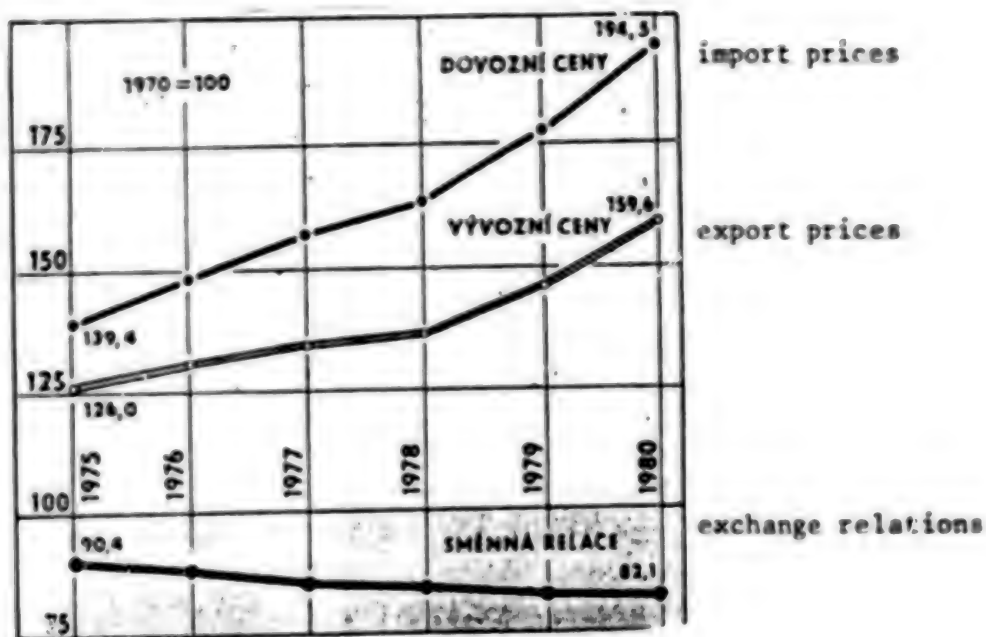
[Answer] I am an optimist because business with the socialist countries and particularly with the Soviet Union continues to be a stabilizing factor. As to the nonsocialist countries, they also want to produce and sell, and must therefore buy from us. This business, of course, must be expanded in such a way that we do not have to draw on external funds and that we do not increase our debt, but live from our own resources. The results achieved in 1980 and 1981 indicate that we possess all necessary conditions for attaining this goal, if we approach our export obligations responsibly and our import needs on the basis of maximum economy.



Key:

1. Imports
2. Exports
3. CEMA
4. USSR
5. Other CEMA States
6. Socialist countries
7. European Economic Community
8. Other Developed Capitalist States
9. Developing Countries

Development of import and export prices, and exchange relations during 1975-1980 period



Czechoslovak foreign trade by commodity groups



10501  
CSO: 2400/153

GERMAN DEMOCRATIC REPUBLIC

INDUSTRY URGED TO FOCUS ON PRODUCT QUALITY, NOT QUANTITY

West German Commentary

Bonn IWE-TAGESDIENST in German No 7, 15 Jan 82 p 3

[Report from Berlin: "SED Criticizes GDR Industry for Insufficient Awareness of Quality." A translation of the East Berlin EINHEIT article cited below follows this commentary]

[Text] The theoretical SED journal EINHEIT (No 1, 1982) has criticized GDR industry for still not paying proper attention to product quality. Frequently, improved labor productivity on the one side and improved product quality, on the other, were being regarded as opposite aims and the opinion was being expressed that the one could only be attained at the expense of the other. Alternatives, concretely, amounted to either an increased number or better quality of products. Such alternatives came from the wrong presuppositions, however, and were "not acceptable" in practice. If the precepts for product quality were neglected with output increasing at the expense of quality, the party journal affirmed, society would reap no benefit from it at all, even if an enterprise concerned should manage to sell its products for the time being. In such cases the society would have to pay the price for it in the form of unscheduled stocks of finished goods or expensive make-up work.

SED Economist on Economic Strategy

East Berlin EINHEIT in German Vol 37 No 1, Jan 82 (signed to press 9 Dec 81) pp 33-44

['The Topic' feature article by Prof Dr Claus Kroemke, economist, deputy department chief, SED Central Committee: "Struggle for Highest Labor Productivity--Requirement of Economic Strategy." A translation of the Guenter Mittag address cited in footnote 6 is published under the heading, 'Mittag, Hoefner Address People's Chamber on Economic Challenges,' in JPRS 80213, 2 Mar 82, Nov 2238 of this series, pp 22-48]

[Text] Proceeding from increased labor productivity, the indispensable prerequisite for any social progress, its importance is being explained for carrying on the main task policy in its unity of economic and social policy. Which economic and ideological questions are primary under concrete conditions today for boosting our labor productivity as our party's economic strategy would have it? Why and how does the effort for increasing labor productivity connect with efficiency improvements? What does it mean to conduct this struggle politically?

At the Third Central Committee session, Comrade Erich Honecker pointed the way to implementing the 10th party congress resolutions. For us to be able to keep implementing the proven main task policy in its unity of economic and social policy this way, we find the economic strategy for the 1980's, as set down at the 10th party congress, a clear guideline and sound foundation for purposeful action.

The effort in greatly boosting our labor productivity is one of the buttresses of this economic strategy. It is of first-rate importance for enforcing our economic and social policy, as the Politburo report affirms.<sup>1</sup> Especially in view of the fact "that we intend to carry out its economic and sociopolitical directive through still less raw material and other material than had been assumed at the 10th party congress"<sup>2</sup> a quality and efficiency boost of social labor gains an importance, economic and political, that exceeds all previous criteria. To produce more with less effort is a fundamental requirement at a time "when, due to scientific-technical progress, higher labor productivity is more crucial than ever."<sup>3</sup>

#### General Conditions for Social Progress

Indeed, higher labor productivity turns out to be the fundamental condition for the required economic performance growth and the policy, based on it, for a gradual improvement in the people's material and cultural standard of living. The results of increasing labor productivity directly affect the growth of social production, the size of our national income and, hence, the conditions for implementing our social policy. The economic content of increased labor productivity lies in a growth of productive performance without any extra working hours and labor. Labor productivity is a direct expression of the efficiency of live labor, of its degree of efficacy. Higher labor productivity means making available more intrinsic values to society within equal time frames. Thereby, at the scale of the national economy, the decisive prerequisites are created for enlarging the scope of social production and of our national income.

The social importance of labor productivity is derived from the Marxist-Leninist realization that labor is the most important source of all wealth, wherefore its increasing degree of efficacy constitutes an indispensable material prerequisite for any progress altogether, as increasing labor productivity is the economic quintessence for the development of the productive forces. This connection between labor productivity and social progress exists, as much as the connection between a higher degree of labor efficacy and increasing output, in every form of society. Yet, of course, it wholly depends on the concrete character of the form of society, on the prevailing power and property relations, who is benefited by the greater output coming from increased labor productivity, for whom and for what the greater volumes of intrinsic values are meant, which class appropriates them, and for which end. Practice keeps confirming to us that the answers to be given to those questions, and the effects of this connection, are completely opposite, e.g., in capitalism and socialism.

#### For Whose Benefit?

Not until we have socialist power and production relations can, through the appropriation of the outcome of labor altogether, the outcome of higher labor productivity benefit the workers class, the cooperative farmers and the socialist intelligentsia and express itself, e.g., in increasing social accomplishments for all

the working people in the GDR. For example, the value of the produced per capita national income, computed on a comparable price index, rose from M 16,334 in 1970 to M 25,082 in 1980, i.e. by 54 percent. The value of industrial commodity production per hour rose from M 112 million in 1970 to M 210 million in 1980, i.e. by 88 percent. At the same time, the population's net income rose by 52.4 percent. Voluntary services from social funds rose by 105.9 percent.

The facts contained in the 10th party congress materials and documents, which anyone can have access to, unequivocally refute the lies of bourgeois ideologues about our advances and show how untenable their distortions are about the actual connection between increasing productivity and the development of the people's material and cultural standard of living. They show the results of our labor benefit primarily the people directly. They also demonstrate the social accomplishments of the citizens in our country ultimately depend on the work done by the people under socialist conditions. Everything that has been created by way of our united economic and social policy since the eighth and ninth party congresses and everything that is being produced in the outcome of the purposeful implementation of the 10th party resolutions has been due to the people's creative and diligent efforts achieved under Marxist-Leninist party leadership. It has been accomplished through hard efforts, through constantly seeking a higher labor productivity; our country's citizens are rightly proud of such achievements.

These unrefutable facts should be food for thought to all those, mainly, who, to the west of our borders, have made it their business, as it were, to deal with the analysis of economic processes in the GDR, for the purpose of misinterpreting them, while they are evading any serious examination, that would reach the core of things, of the contradictions and problems in the capitalist countries. Could it fail to give rise to the question what the social system of a country and its growth impulses and expectations of the future must be all about if--as is the case in highly developed West European countries--despite further advances in their increasing labor productivity stagnation has set in or even a reversal in their production growth? What can explain that, despite increased performance by the working people, their real income moves ahead at a snail's pace at best, if at all? And how is that compatible with that, on the other side, the profits of the largest corporations have reached new heights? This should make it all too evident that the economic effects of increasing labor productivity are marked solely and exclusively by the capitalist appropriation of production and that the results of increased labor productivity in no way primarily serve those that have done most for it. Such a distortion of the real connections, by the way, is in principle nothing new in the exploiter society. More than a century ago, in his penetrating and still completely valid analysis of capitalist economics, Marx demonstrated that to be so, and it is only still more emphatically being underscored by historic development and contemporary facts. All that confirms, especially today, that the capitalist system has long been an impediment to the further development of the productive forces and to boosting the efficiency of social labor, and that it altogether blocks the path to improving the working people's social situation and to social progress as such. In contrast, development in our republic also demonstrate that in real socialism those social premises are laid that ensure for all economic advances to take effect for the good of the people and the progress of society.

The boosting of labor productivity thus is a deeply social and class-conditioned process and never "purely economic in character." Not last because of these social prerequisites, conditions and effects it is among the central issues in the class conflict. Due to the fact that in socialism the social purpose of higher labor productivity is unequivocally determined by the economic laws, especially by the basic economic law, inherent in socialism, the law of constantly increasing labor productivity likewise is inherent in the socialist system. Conforming to it is included in living up to the universal principles of socialism and developing its great advantages and possibilities. And that is why our party attaches so much importance to the effort of significantly boosting labor productivity and attaining a much higher level all-around.<sup>4</sup> If the party underscores that "only that can be distributed which we ourselves first produced or created by our labor beforehand,"<sup>5</sup> we can and must tie this idea up with that under the changed conditions we have to face a higher speed of productivity growth is required so as to ensure a distributable product at the same level and enlarge it beyond it.

#### The Laboratory and the Drawing Board Are Increasingly Decisive

The task of significantly boosting labor productivity is closely entwined with all major aspects of the party's economic strategy for the 1980's. That is true in particular of the one aspect which, because of its fundamental and overriding importance, is mentioned first: Taking another step in combining the advantages of socialism with the scientific-technical revolution. That pertains mainly to the possibility to use science and technology data directly for boosting our labor productivity in the broadest sense of the word; and it means more than that: This basic thesis spells out that scientific data and their immediate all-inclusive utilization are the decisive and crucial basis for boosting labor productivity. This places, in principle, the struggle for high labor productivity on a new foundation.

The use of the scientific-technical revolution opens a virtually unlimited field of opportunities for boosting our labor productivity. Demands made on management activity become all the greater thereby. The actual skill in managing this process lies in creating conditions for R&D to be pervaded by economic objectives to a higher degree than in the past and for their data to crystallize in measurable achievements in the process of material production.

"Basics start with the drawing board, with R&D."<sup>6</sup> This fact precisely also expresses that the scope assumed by the speed in boosting labor productivity is increasingly due to the activity of the "social total worker." For it becomes, after all, ever more important how the results of the socialist educational system, of science, of R&D work, in the construction of means of rationalization, in the innovator activity within the overall social scope, and particularly in the combines, are organized and brought together in such a way that we produce higher achievements, in every phase of the production process and on every job, not only through a greater labor effort and more physical strength, but through creating and using our intellectual leads. For that purpose it is necessary to introduce modern technologies and increase our own construction of means of rationalization while improving all working people's skills and using them in a way that the opportunities the new technology provides for are exhausted to the fullest.

The criteria adopted are crucial for ensuring a maximum contribution by all science and technology measures to the boosting of labor productivity and obtaining an optimum degree of economic effectiveness. They must take their clues from optimum values obtainable today and in the future and satisfy international requirements completely. Abiding by these crystal-clear economic measures is the basic prerequisite for producing the greater economic result required for the continuation of our party policy, aimed at the good of the people.

#### The Growing Importance of Socialist Rationalization

With respect to our economic strategy, the decisive preconditions for boosting our labor productivity are set by socialist rationalization, which is meant to become all-inclusive. In all the efforts made to extend it, it is to be taken into account that socialist rationalization is a social process that is fashioned in its targets and approaches by the socialist production relations. Most clearly that is expressed in that the boosting of labor productivity in our society always has to go hand in hand with improving the working and living conditions. After all, ultimately it concerns the people for whose benefit labor is to become more productive. Yet even in socialism--where we are concerned with labor free from exploitation, with diminishing demands made on muscle power and, instead, with nimbleness of mind and creative potency--labor is not likely to come without toil and trouble, as the whole person is challenged with all his awareness, will power, strength of character and performance capability. In our socialist society, which offers all the people, every individual working person, leeway and objective premises for developing and shaping their creative abilities and talents as no other social order ever has, where high accomplishment, diligence, and honest and disciplined labor enjoy the highest respect and find recognition, labor is more than ever turned into a field for social testing and the formation of personality in everyday confrontation with the substance of labor. Increased labor productivity and socialist rationalization do not amount to an "abolition" of labor either but to a modification of labor in a direction where it is becoming ever more adequate to the nature of man. Precisely because labor, assuming its proper substance, is such a great challenge to men and their abilities, the point that matters is to do everything, within the scope of the possible, to create better conditions for it, "which mainly means less heavy physical work, fewer health hazard impediments, less monotony and more room for satisfying skilled and creative activity."<sup>7</sup> That marks the requirement for socialist rationalization meeting the concerns of working man.

Socialist rationalization is a mental and a material process. What it comes down to is that working man reflects on his own concrete activity, seeking to perfect it in terms of making it more productive. Doing that, he himself develops further and creatively shapes his most important social articulation of life. One of the great advantages of socialism is that rationalization without the worker's doing, without his inner participation, is actually inconceivable, he being, instead, always drawn into this process, a process which often, in fact, starts from the worker's ideas and is brought to realization through collective work. Thus setting up departments for constructing their own means of rationalization in the combines is not merely an organizational measure but an expression of a social process in which the working people themselves systematically create their production conditions for their own benefit.

It is possible to extend this idea all the way to the basic principles behind the utilization of investment funds, which essentially are a part of the surplus product accreting through productive labor. The requirement in the five-year plan to use most of the investment funds for rationalization illustrates how much weight is being attached, even from the vantage point of the plan, to more productive work under more favorable conditions. So the high economic effect of our investment policy is tied up with profound social content.

#### Quality Improvement--Synonymous With Increasing Labor Productivity

Of growing importance to the effort toward high labor productivity is that we decisively improve product quality. Imperative for it is more skilled labor which, along with it, also gains in importance as a way toward higher labor productivity. In everyday work at times, higher labor productivity on the one side and better product quality, on the other, are conceived to be opposite targets, and one encounters the opinion that the one target is attainable only at the expense of the other. The alternatives, concretely, then are either more of an output or better product quality. But such alternatives start from the wrong premises and are not acceptable in practice. Such an issue cannot be settled from the vantage point of daily tasks, let alone from that of a one-sided focus on one or the other parameter placed in contrast. What is necessary instead is to penetrate to the essence of the economic process. In considering that increased labor productivity means producing more intrinsic values in a given time frame, and also, that the new value created thereby can be realized only to the extent that the commodity meets the clearly defined quality parameters of that intrinsic value, the question is essentially resolved in purely theoretical terms. If in practice the product quality precepts are not always followed and a larger output is produced at the expense of quality, society derives no benefit from it at all, not even if the enterprise concerned should manage to sell its products for the time being. The price in such a case has to be paid by society in the form of unscheduled finished stocks or in expensive make-up work. Monetary sanctions in consequence of it may in deed be a necessary economic consequence for the enterprise but do not mitigate the heart of the matter, the loss that has been incurred for the economy as a whole. Therefore the effort to produce more of an output while preserving the quality of each and every product is from the outset also a matter of the basic ideological position, of economic understanding and appropriate management activity.

But there still is another aspect in viewing the connection between productivity and quality: Better quality in its effect is identical with higher labor productivity. There is not likely to be any doubt that better quality must be reflected by a higher intrinsic value; else it would make no sense economically to speak of better quality. The essential thing about intrinsic value is that it can only be gaged against any existing social need at the given or foreseeable status in the development of the productive forces, economically expressed by the sales of the products. Thus better product quality has, in principle, the same economic effect as increased labor productivity through a higher output stable in quality, if one only takes, e.g., a longer working life or greater reliability of the products. All this is equal to increasing the volume of products made available to the economy. But then there is still a further effect because every product that is likely to require fewer repairs, lasts longer and functions more reliably at the same time

makes for savings in material and energy and working hours while being used. And so the struggle for labor productivity aimed at high quality makes for possible savings in social labor. This is an effect of which, through greatest determination, much more must be made.

And that, finally, also is precisely what is meant by enhanced production refinement. Enhanced refining always means greater intrinsic value and, thus, better quality. It is attained by that a greater value is added through more skilled labor to each kilogram of material. In this value accretion is seen the economic effect of more complicated labor, coming into its own in the formation of value as simple labor at a higher power. So the idea cycle is closed: More highly skilled labor leads to better product quality and with it, to a higher production value and to greater labor productivity. The economic effect of such a process is impressively being demonstrated by microelectronics.

### Labor Productivity and Efficiency

By now our considerations have led to the linkage between the struggle for high labor productivity and the fundamental task to produce a greater benefit through less effort, to become more efficient, in other words. Even the 10th party congress explained that the struggle for increased labor productivity must not come at the expense of a higher material or energy consumption or an increased investment effort.

The principle that all economic considerations and decisions must be aimed at a high overall economic result fully applies of course also to all measures in boosting our labor productivity. Not rarely, however, in practical economics, one finds the reduction of the expenditure of live labor is treated as one task and the reduction of the expenditure of embodied labor, as another task, each by itself. It is understandable that someone might reach such a conclusion because, in his economic thought and actions, he let himself primarily be guided by a parameter scheme. He has failed to see that a methodology--however perfect it may be--is at best an aid to conceive of, or control, certain processes but can, like any other set of instruments, never make up for penetrating into the essence of economic processes. The approach to understanding that essence and deriving the necessary and correct conclusions from it is given to us by our Marxist-Leninist economic theory alone. It is this theory in all its riches which, with the realizations of the classic authors and its creative further development through the ripening of the socialist planned economy, belongs among the greatest scientific achievements humanity has ever produced, and which has done so much to advance historic progress.

As to the question of efficiency, the study of Marxism-Leninism must needs lead us to the realization that embodied or--as Marx usually calls it--"past" labor previously always was live labor. Therefore an extra effort in embodied labor always is de facto a deduction from what was accomplished by saving live labor, a curtailment, i.e., of labor productivity. Even if everything still may seem to check on the invoices of an enterprise when that principle is violated, the economic invoice will make it all apparent that, perhaps, embodied labor was not handled as carefully and economically as prudently as was live labor. That is

why our party is making so much of reducing production consumption and keeps reiterating that it makes our national income rise as much as does increased production.

That is why the struggle for increasing production per unit of manpower--this being the parameter by which labor productivity in the enterprise is expressed--must go hand in hand with reducing costs as such. That alone will take care fully of the whole matter of boosting labor productivity as an economic objective. Here we should merely reiterate emphatically once more: Ultimately, higher labor productivity is only another angle for the need to achieve higher efficiency. If that is ignored or disregarded, the savings made on the one side may all be canceled out again through higher expenditures on the other.

This connection applies also in particular to the ratio between production increases and the basic assets economy. Increased labor productivity, as one knows, largely depends on applying the latest technologies. Yet these new technologies can be realized only through the appropriate equipment and so, to a certain extent, call for seed money. For the overall effectiveness of the results to be achieved from increased labor productivity, it is then of extraordinary importance how high such advances that are put up for them are. To achieve optimum results here too by minimum expenditures, the modernization of extant production equipment is the most effective way because that makes more efficient embodied labor already in operation, which taps simple reproduction as a source for expanded reproduction. The point simply is that extant technology is used with additional equipment and new possibilities for linking it through technical redesign with introducing most up-to-date production procedures. It also means that we must not drop extant production equipment merely because it has outlasted its "normal working life." Replacing extant technical equipment may, to be sure, often be the easier way for us, calling for less effort, less complication and less of a risk; it is not normally the economically more favorable and less expensive way. So we always have to consider how even when we boost our labor productivity the best economic advantage can be produced through the least expenditure of funds. This is all the more important in that, in accordance with the 10th party congress requirement, we have to engage in this effort at a broad range.

#### Joint Efforts Under Political Leadership

Boosting labor productivity in our country has become a matter of the utmost concern in overall social terms. This places the economic responsibility for productivity growth as much as the contributions by the other social domains to it more than ever in the center of our attention today.

And so the tasks for boosting labor productivity are a regular component of the 1982 national economic plan as well as of the 1981-1985 Five-Year Plan. These tasks, in conformity with the objective requirements of our economic and social policy, constitute genuine objectives of our struggle. Proceeding from there, every combine knows its concrete targets. In implementing these plan tasks it is of great importance for us to overcome the partly still existing large level differences in labor productivity and gear ourselves to optimum values.

How the targets are met, that depends on disciplined work on every job. The results greatly come out of the efforts in material production, but they increasingly also depend on the premises created in particular by science and technology for more productive work. Being successful in the struggle for high labor productivity thus also means organizing labor cooperation among many. This identifies prudent management activity that is aimed at arousing all creative forces as a significant productivity factor. It must extend mainly to connecting all the phases in the cycle of intensively expanded reproduction. The combines' growing responsibility is seen, precisely, in their providing production efficiency to all possibilities in "combined labor." That applies particularly to issuing clear requirements while determining how high production targets are to be reached. But it also concerns operations management. Every responsible person should always ask himself how productive the work has been today, which advances were made, and which reserves are showing up, so as to draw inferences from it at once. The permanent checking and analysis of important parameters of labor productivity should always receive attention. This includes the parameters of time investment per unit of production as much as that of quality and, above all, of the costs. Results in labor productivity boosts ought to be analyzed and judged always in connection with overall costs.

As work in socialism altogether, so also the struggle for high labor productivity is marked by the character of socialist production relations, by their deeply humanistic substance. Wherever labor serves man--as it does in our country because it is socialist--, fosters his development and gives him the full benefit of its results, it is only natural that everything is done to make the work itself more effective, which means more productive. That is not only a matter of high economy but also one of the respect for human labor itself. Each advance in increasing productivity calls for a degree of effort, creative search for new ways, diligence, discipline and steady work. But each result achieved thereby also confirms the ability of the ones involved, boosts their self-confidence and inspires them to tackle new tasks. And so the struggle for high labor productivity also means constantly facing what is objectively required and a spur to mobilizing all subjective possibilities for it. That makes it all the more important to exercise political leadership in it and struggle, in joint, confident cooperation with all working people, for the implementation of the 10th party congress resolutions which serve the well-being of our entire people.

#### FOOTNOTES

1. Comrade Erich Honecker, "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED" (From the Politburo Report to the Third SED Central Committee Session), Dietz publishing house, Berlin, 1981, p 24.
2. Ibid.
3. Ibid., p 27.
4. Cf. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 52.

4. Comrade Erich Honecker, "Aus dem Bericht . . .," op. cit., p 25.
5. Guenter Mittag, "Forging Ahead Along the Course of the 10th Party Congress, NEUES DEUTSCHLAND, 4 December 1981, p 6.
6. Comrade Erich Honecker, "Aus dem Bericht . . .," op. cit., p 33.

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GERMAN DEMOCRATIC REPUBLIC

SOCIALIST MARKET ECONOMY, 'EQUAL RIGHTS' FOR COMBINES REJECTED

East Berlin EINHEIT in German Vol 37 No 1, Jan 82 (signed to press 9 Dec 81)  
pp 41-49

['The Topic' feature article by Prof Dr Gerd Friedrich, economist, deputy director, Central Institute for Socialist Economic Management, SED Central Committee; member, GDR Academy of Sciences; chairman, Council for Economic Management Problems: "Socialist Planned Economy and Democratic Centralism." A translation of the Guenter Mittag address cited in footnote 9 is published under the heading, "Mittag, Hoefner Address People's Chamber on Economic Challenges," in JPRS 80213, 2 Mar 82, No 2238 of this series, pp 22-48]

[Text] Today it is historically proven that--as the classic authors of Marxism-Leninism had shown--the socialist planned economy can prosper only on the basis of democratic centralism and its improvements in line with any given developmental conditions. Precisely for that reason is this essential element of socialist management exposed to unabating attacks from bourgeois ideologists. In which directions is this principle being shaped, under party leadership, as required for making our economic strategy prevail in the 1980's?

Socialist planned economy constantly being improved on the basis of democratic centralism--as all experiences confirm--is of fundamental importance for the successful construction of socialism. With regard to our more than 30 years of experience with our planned economy, Comrade Erich Honecker remarked at the most recent Central Committee session that "central state planning is among the most valuable advantages of socialism. More and more effectively we have managed to adapt it to the requirements for intensified economic development."<sup>1</sup>

Through organizing and constantly perfecting the socialist planned economy in line with concrete developmental conditions, its advantages have been more and more brought to bear, and the fundamentally changed life of the working people, as far as their position in production and in society is concerned, also has become increasingly richer in the material and the intellectual-cultural sense. Social reality therefore confirms the ideas of Marx and Engels, who defined socialism as a society in which the "associations of free and equal producers" work together "consciously in accordance with a joint and rational plan,"<sup>2</sup> "production is placed under genuine predetermined societal control,"<sup>3</sup> and thus social working time is distributed on production assortments in accordance with social needs.

Not until anarchy in social production gets replaced by conscious organization according to plan--as they concluded--"will men make their own history in full awareness, and from then on the social causes put in motion by them will principally and increasingly have the very effects they intended for them."<sup>4</sup>

While all this remained still a matter of reference on general principle for Marx and Engels, gained from deep theoretical insight into revolutionary social development--i.e. the indispensable necessity for socialism of the conscious and planned management of social and economic processes at the social scale and in the interest of the producers themselves, and for the sake of ensuring proportionality--, it turned into a practical issue after the triumph of the October Revolution. Lenin kept addressing the problem of how the process of the "actual socialization of production" would have to be advanced and showed that socialism is inconceivable "without state organization according to plan that would induce dozens of millions of people to abide strictly by unified standards for the production and distribution of the products."<sup>5</sup> He explained the need "for bringing to realization in the economic field, particularly, democratic centralism," and he emphasized that this "centralism, understood in its true democratic meaning, presupposed the possibility, created for the first time in history, of a complete and unrestrained development not only of local particulars but also of local initiative, the multiplicity of ways and means and methods for advancing toward a common goal."<sup>6</sup>

Marked by the closest cooperation between central state economic management and planning and the conscious and creative activities of the working people in the economic units, branches and territories, democratic centralism is among the indispensable and essential elements of the socialist planned economy. Like the unity of political and economic management, the connection between planning and economic accounting, and the relation between individual management and collective consultation, it is among the basic socialist management principles--worked out, and applied with great rigor, by Lenin--and has lost none of its importance. These principles derive of necessity from the political power of the workers class and the public ownership in the means of production, and in their unity they ensure that in the socialist planned economy the interests of the workers class, and thus also of all other working people, are made to prevail, basic social rights are secured, and the material and cultural standard of living is systematically raised commensurate with higher economic performance.

To refer to the universally valid Marxist-Leninist insights and principles, which throughout the decades of socialist construction have stood up so well, is all the more necessary because the basic issues in the shaping of the socialist planned economy have time and time again become subject to sharpest ideological conflicts. Bourgeois ideologists cannot help but offer us unsolicited "advice" on how socialism could be "improved" by abandoning Marxist positions. Incidentally: it does call for a good dosis of brazen stupidity for such "advice" to be trumpeted precisely from those countries that have rampant unemployment comparable only to the great world economic crisis, with the working people's social product and net income dropping, social welfare benefits dropping for the benefit of arms buildup and of profits, and social insecurity, inflationary price hikes and capitalist rationalization causing serious worry about survival among broad masses of the working people.

## "Complete Departure From Socialism"

Ideological attacks by the enemy on the socialist planned economy, which he seeks to defame as an "autocratic system for the exercise of power," keep aiming at three decisive points. In front are--and how could it be otherwise--attacks on the leadership role of the Marxist-Leninist party, the functions of the socialist state in general and democratic centralism, in particular. Coming from the class position of the bourgeoisie, this is all too understandable, because if they succeeded in doing away with this cornerstone of socialism, it would amount to doing away with socialism altogether. Second, our class enemies seek to undermine the planned economy by saying it advocated a complete "autonomy" of the economic units, their "self management" on the basis of socialist property turned into group property. The consequence would of necessity be that socialist production relations of comradely cooperation and mutual aid and social overall interests would come to be replaced by competitive enterprise interests in all their juxtaposition and opposition, whereby at least one crucial advantage of socialist society would be repudiated and the social impulse that lies in the identity of social, collective and personal interests would be canceled. And finally--and indissolubly tied up with it--it is a matter of undermining the role of the plan as a steering tool of the economy and replacing all its fundamental functions by a "market economy mechanism."

The consequences of such a "socialist market economy" are obvious: the destruction of the unity of economic and social policy, because there would no longer be any basis for it when group interests prevail over the total interests of the workers class and of society. Basic social rights, like the right to work, to education, to social welfare, to equal wages for equal labor, and the working people's social security could as little be ensured as they are in the capitalist countries. Planned production and productive forces development proceeding from overall social interests would no longer be possible because the basis for them would be gone, the overall social power of disposition over the country's resources, on which the socialist planned economy relies in the conscious shaping of the processes of public life for the benefit of the people.

Such notions have nothing in common with socialist planned economy. Lenin already pointed out that this kind of "self administration of the enterprises" based on group property was incompatible with the principles of socialist economic management. He emphasized that it was "the grossest distortion of the basic principles of Soviet power and a complete departure from socialism if the workers in a particular plant or a particular occupational branch were legally granted, directly or indirectly, the right of ownership in their specific area of production, or the right to mitigate or obstruct the orders issued by state power."<sup>7</sup>

### The Party's Leadership Role and Marxist-Leninist Policy

Economic and social management always conforms with who owns the means of production. Life has confirmed that as a universal inevitability of social development. As the capitalist ownership in the means of production causes their typical capitalist disposition--with all its social ills--, so the socialist economy and society of necessity require democratic centralism. Things would not function without this basic socialist managerial and organizational principle. And the decisive leadership

force of management can be only the Marxist-Leninist party, exercising its leadership role with support from the socialist state and other social organizations. Our party, just like the CPSU and other Marxist-Leninist parties, lets itself be guided resolutely by that the further development of management and planning in the socialist economy requires the consolidation and further perfection of democratic centralism.

All experience has confirmed this: The most important prerequisite "for making the socialist planned economy function is a Marxist-Leninist policy proceeding from the requirements of the objective economic laws of socialism and aiming at putting fully into effect all advantages and impulses of socialism for the benefit of the people on the overall social scale. That is the cardinal issue for shaping the socialist planned economy. Not one rule or another is what matters, but the correct strategy and tactics for overall social development, in which the perfection of management and planning is embedded."<sup>8</sup> As the only social force the working class party is in the position to charter such a social strategy that serves the good of the people and, guided thereby, point the way to constructing and constantly improving the socialist planned economy.

The goal of socialist economic management, as expressed in the basic economic law of socialism, is to satisfy the people's material and cultural needs at an ever higher level. So, socialist economics must needs be growth-oriented: Without increasing output and national income, without higher labor productivity and the most rational utilization of energy sources and raw materials, the tasks for the further shaping of the developed socialist society in the GDR cannot be solved. The 10th party congress resolution to carry on the political course of the main task in its unity of economic and social policy even under the changed conditions primarily amounts to a demand made on our country's economic efficiency.

Clearly aware of the available sources for our growth, and of others that are to be tapped, Comrade Erich Honecker at the 10th party congress presented the economic strategy which constitutes the consistent way for extending the main task with its great mobilizing effects throughout the 1980's. That strategy "relies on the full utilization of the advantages of socialism, the ability of our socialist planned economy to react flexibly to changed conditions, and a new great development of mass initiative through socialist emulation, organized by the trade unions. The centerpiece of this economic strategy is the struggle for higher labor productivity and efficiency through science and technology and the struggle for critically improving the cost/benefit ratio."<sup>9</sup>

#### Unity of Democracy and Centralism

Ultimately the strength of the socialist planned economy relies on the strength, diligence and initiative of the working people, on their ability to organize according to plan and with increasing awareness the processes of the material production and reproduction of their living conditions, under party leadership and on the basis of the organized work of state power, through understanding the objective economic laws. Under central leadership, the development of the economy proceeds according to plan at the overall societal scale in conformity with the working people's fundamental interests.

Karl Marx called the "national centralization of the means of production" the "natural basis" for socialist society.<sup>10</sup> This centralization is the first and foremost precondition for the development of socialist democracy; for only through socialist state power can the workers class enforce its interests, and with them, those of all the working people, and protect its rights. It attests to a misconception of democratic centralism or to a deliberate denial of its nature that bourgeois ideologists keep splitting this unified principle up into two purportedly opposite poles—democracy and centralism—, from which they then derive the need for an allegedly still to be performed "democratization" of socialism. The truth is that the democratic character of centralism is ensured through the real influence the working people have on decisions. That influence is exercised in the political organization of socialism in our country through the leadership role of the party, the collaboration of the allied parties and mass organizations in the National Front, the position of the people's representations as the supreme power organs of our state, and the extensive rights of the trade unions as the most comprehensive class organization of the ruling workers class. The citizens' sphere of influence thus has a very broad range: from the variety of opportunities for making their interests prevail by means of the socialist state and its organs, to their direct involvement in plan preparation, all the way to the guaranteed rights for every individual to bring an influence to bear on state affairs by oral or written petitions for helping justified interests or concerns to break through.

Without the clarity about the goals at the national scale that comes from a consistent application of centralism, as expressed in the economic and social policy of the party and the state, and without the ability to organize the cooperation of the enterprises and institutions addressed at those targets, socialist democracy would lose its ground; it would be impossible to direct the working people's initiatives at enforcing their very own interests. Doing away with centralism (and the enemy is perfectly aware of the effect intended by his "well meaning advice"), far from strengthening socialist democracy, deforms essential elements of the socialist planned economy and surrenders the advantages and accomplishments the workers in socialist countries have achieved in past years. Through conflicting group interests, the basic social rights--the right to work and education, to social security in every phase of life and for every citizen, as well as other basic rights--would fall by the wayside; the undoubtedly complicated problems of economic development in the 1980's could not be coped with.

"More centralism or more democracy" are pseudo-alternatives, neither theoretically acceptable nor feasible in practice. What matters instead is to find concrete answers to the new questions arising with the perfecting of democratic centralism and the further development of the socialist planned economy under the changing conditions in the process of the shaping of the developed socialist society. That concerns, e.g., the relationship among the various state management levels and with the economic units and the concrete ways and means by which the identity of social, collective and personal interests can be made ever more perfect so as to make the party policy prevail, which aims at the well-being of the people. In the 1970's, the most important step toward making our economic management system more effective on the basis of democratic centralism was the formation of the combines and their development into basic economic units for material production in industry and the construction industry. Thereby better opportunities were created for connecting

central state economic management and planning with the initiatives of the working people and their collectives. Proceeding from there, the 10th party congress has answered the question how--in conformity with the conditions for carrying on the political course of the main task--the party's economic strategy for the 1980's has to be organized and the socialist planned economy be further perfected.<sup>11</sup>

#### Perfecting State Management and Strengthening the Combines

As spelled out by the 10th SED Congress resolutions, our socialist planned economy "is being perfected further so as to take extensively into account the requirements for high economic performance improvements, especially those that come from a rigorous production intensification."<sup>12</sup> For management, planning and economic stimulation fully to focus on a, by and large, intensively expanded reproduction of the economy thus also is the fulcrum and pivot in the development of the economic management system.

New demands arise from the changed conditions under which economic laws work, as characteristics of intensively expanded reproduction. These changes touch on concrete requirements and manifestations of the law of planned proportionate development as on the value law, the law of remuneration according to performance, and others. Thus, in contrast to an extensive expansion of the field of production, intensively expanded reproduction is marked by a constantly increasing technical-economic production level. Scientific-technical progress, this crucial growth factor, strengthens the dynamics of economic development and leads to changes in the proportions and in the structures, focuses on the matters of a complete accounting for, and use of, the qualitative growth factors in the national economic plans, and raises, accordingly, now demands for cost accounting. The commodity-money relations and the economic categories that go with them have to be shaped and used by the plan in such a way that they permanently foster our scientific-technical progress and high labor efficiency. The production socialization process assumes new dimensions under the influence of the close connection between science and production and the rapidly expanding international economic and scientific-technical relations, which raises not only new demands for cost accounting but also new questions, linked with cooperation, and at a new quality, about the unity of planning, balancing and contracts. Finally, intensively expanded reproduction always calls for an application of the performance principle at the overall social scale by which not only the quality of labor expended is rated but also, and particularly, the quality and efficiency of labor activity.

The demands the party has raised, to the effect of improving managerial projections, elevating the complexity of planning, further developing cost accounting, developing the combines and strengthening them so that they can control their reproduction process with all its ramifications over the long range, to a large extent derive from these greatly changed effects of the conditions under which the economic laws work, which have still much more been exacerbated by the foreign policy and foreign economy changes. Other party demands derived from it include, no less, an increasing of the authority of state requirements with respect to the efficiency development in the combines and enterprises, improving the efficiency ratings of the collectives, economic units and branches, and structuring prices in such a way that it will encourage scientific-technical top achievements and a broad use made of them.

Another consequence of the changed conditions is the need to strengthen the co-operation between industrial and local organs; they must jointly ensure the development of working and living conditions and the best linkage between branch-specific development and territorial production resources. How skilled management activity succeeds on all economic levels in accelerating scientific-technical progress in production, reducing production consumption, increasing labor productivity and making maximum use of available production resources, all this then becomes a key issue in ensuring the requisite performance improvements between 1981 and 1985.

The development of socialist democracy and the consolidation of democratic centralism can and have decisively to be gaged against how the state, economic and party functionaries with and in the work collectives are seeking, through rich initiatives, to achieve the higher performance and efficiency goals. The consolidation of democratic centralism always includes providing state management with greater skills, increasingly including broader strata of the working people in economic management, and the spreading of their initiative in socialist emulation through effective political-ideological work and meaningful economic incentives. It is precisely socialist emulation that expresses an essential aspect of democratic centralism: an ever broader activity of the working people, marked by their own initiative, in solving economic and social tasks, in realizing that it pays off to do good work toward strengthening the republic. That is given eloquent expression by the results of the fulfillment and overfulfillment of the 1981 plans in most of the combines and their enterprises and by the emulation programs for 1982 aiming at a total fulfillment and targeted overfulfillment of the 1982 plan in accordance with the slogan, "High performance growth through increasing labor productivity, efficiency and quality--Everything for the good of the people and for peace!"

Democratic centralism means cooperation between central and local state organs and the managements of economic units--aimed at the implementation of their joint tasks. A key position in this process, which concerns a great use of the advantages of the socialist planned economy toward improving production efficiency, is held by the co-operation between central state management and the combines. New conditions arose with the combines for strengthening democratic centralism because the combines, based on the plan, have essential rights and material preconditions for being able to solve under their own high responsibility to all of society their concrete reproduction problems. Accordingly, the 10th party congress focused on further developing the combines as a whole and aligning central planning, balancing and analysis much more with these large economic units. In the work of the central state organs, which thereby get more work to do, the following tasks are therefore coming to the fore: --Ensuring the proportions needed for attaining the economic policy goals, especially for the linkage relations in science, technology and production exceeding specific combine capacities in the economic innovator processes and processes making for structural changes, by means of the five-year plan, the annual plans and economic cost accounting;

--tapping available reserves through economic performance comparisons among combines and improving economic planning skills in terms of combines;

--allocation of material and financial funds on the basis of careful analyses and precise standards, to tie more strongly still the use of means to achieved or anticipated economic results; and

--perfecting the performance ratings and economic accounting in the combines and their enterprises in conformity with the principle, "Whatever benefits the economy, must also benefit the combines and enterprises."<sup>13</sup>

Scientific-technical progress, the energy and raw material situation, the continuing national and international division of labor and the necessary accommodation to the changes on the world market caused changes at an unprecedented scope. To make the performance potentials of the combines fully effective under these conditions, we need to do more long-term conceptual work. This demand addresses in particular the ministries, the other central state organs and the bezirk councils, which have to ensure through their cooperation a high degree of coordination for overall economic, branch-specific and territorial tasks.<sup>14</sup>

Especially in the process of analytic-conceptual work in preparation for the economic plans, closest cooperation with the combines is becoming increasingly important for the central state organs. This by no means puts the combine on an equal level with the state management organ on top of it. Economic tasks, solved in common, as necessary, presuppose clear lines of instruction and subordination relations, in the sense of democratic centralism, so that each management level can fully meet its responsibility on behalf of society.

The dimensions and the position of the combines are such that essential decisions made by a general director as a rule affect the reproduction process of an entire branch, even of the economy at large. Therefore they need to be fixed in the plan and coordinated with the minister. In turn, a minister's decisions on basic issues in the branch will be all the more competent and solid, the more the combines themselves proceed from basic economic requirements in their work and conceptions.

For combine management it is important to work out the main developmental trend of the economic unit on the basis of economic requirements. As premises for that have to be accepted--as the Central Committee most emphatically explained at its third session--, in particular, the enforcement of international requirements in terms of science and technology, the satisfying of domestic and foreign demands, and the improvement of the cost/benefit ratio. Each combine, in line with the economic strategy issued by the party, has to form the kind of production profile that accords with its overall economic responsibility and lead the production process up to the highest levels of refinement. The extent and speed of advances made here greatly depend on the ability of combine management in tapping the working people's wealth of ideas for shaping these processes, orienting the collectives in the combine enterprises that are working under their own responsibility to high achievements in socialist emulation, and rigidly organizing plan implementation.

#### Close Connection between Planning and Economic Accounting

Democratic centralism in socialist economic management calls for a high political and economic responsibility of the economic units for the results of their work. Without that responsibility, brought about through combining planning with economic accounting, the "local initiative" and the "multiplicity of ways and means and methods toward a common goal," which Lenin mentioned, cannot be secured.

Economic accounting must always be further developed as an integral part of the whole management, planning and economic stimulation system--focusing on economic strategy, on the plan requirements. Enforcing the principle, "What benefits the economy, must also benefit the enterprises and combines," implies appropriate interrelations between the plan, economic accounting, and the performance rating of the

economic units. The connection between social, collective and personal interests, the identity in principle of these interests, fundamental to the spreading of socialist democracy and the consolidation of democratic centralism, cannot be ensured without a systematic utilization of the commodity-money relations, without an economic responsibility by the economic units, as expressed, particularly, through their economic accounting rules, and without extensively making the socialist performance principle prevail.

To bring about a decisive change in the cost/benefit ratio, which is the basic economic requirement for the years ahead, we must more rigorously see to it that good work in the combines and enterprises and production collectives pays off in every case. That implies the need to extend further the position of the three basic parameters in performance rating (industrial commodity production, net production, and base material costs per M 100 of output) in the economic accounting system and in material incentives for fulfilling and exceeding the plan requirements. The main thing that matters, however, is to induce reductions in production consumption, which means in prime costs, turn cost and profit accounting into an active tool to disclose efficiency reserves, and still more resolutely promote, through prices, higher product refinements and qualities and scientific-technical progress in products and procedures. Our target must be to put economic pressure on prime costs and reduce them while improving our world marketability. The resolutions for that were taken, as Comrade Erich Honecker explained at the Third Central Committee session.<sup>15</sup>

All this underscores that an extensive use made of the commodity-money relations and of the economic categories relating to commodity production, the value law and the law of a planned proportionate development, such as price, prime costs and profit, finance, credit and interests, the lucrativeness of funds and export income, of necessity become more important through an ever more rigorous application of our intensively expanded economic reproduction. The reason for that is that the cost and benefit, and therefore the economic efficiency of many separate processes and of the whole reproduction process, not only can be accounted for but even be affected, that, above all, an effective possibility is provided for state standards and the control of them and that, moreover, these economic categories are apt to induce the proper economic modes of conduct on all economic levels.

Thus, on the basis of the plan, economic accounting is being further developed, and the conditions are being improved for measuring more accurately and stimulating more vigorously the economic performance contributions of the combines and enterprises--as required for the implementation of our economic strategy.

#### FOOTNOTES

1. Comrade Erich Honecker; "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED" (From the Politburo Report to the Third SED Central Committee Session), Dietz publishing house, Berlin, 1981, p 40.
2. Karl Marx, "On the Nationalization of Landed Property," Marx/Engels, "Werke" (Works), Vol 18, Dietz publishing house, Berlin, 1962, p 62.
3. Karl Marx, "Das Kapital" Vol III, Marx/Engels, "Werke," Vol 25, Dietz publishing house, Berlin, 1964, p 197.

4. Friedrich Engels, "Anti-Duehring," Marx/Engels, "Werke," Vol 20, Dietz publishing house, Berlin, 1962, p 264.
5. V. I. Lenin, "'Left-Wing' Childishness and Petty-Bourgeois Mentality," "Werke," Vol 27, Dietz publishing house, Berlin, 1960, p 332.
6. V. I. Lenin, "Draft Article on 'The Next Tasks of the Soviet Power,'" "Werke," Vol 27, p 197.
7. V. I. Lenin, "On Democratism and the Socialist Character of Soviet Power," "Werke," Supplementary Volume October 1917 - March 1923, Dietz publishing house, Berlin, 1971, pp 77-78.
8. Guenter Mittag, "The SED--Leading Force in the Perfecting of Management and Planning," EINHEIT, Nos 4/5, 1981. p 341.
9. Guenter Mittag, "Forging Ahead Toward the 10th Party Congress," NEUES DEUTSCHLAND, 4 December 1981, p 5.
10. Karl Marx, "On the Nationalization . . .," op. cit., p 62.
11. Cf. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, pp 77-82.
12. Ibid., p 77.
13. Ibid., p 80.
14. Cf. Comrade Willi Stoph, "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985" (Tenth SED Congress Directive on the Five-Year Plan for the Development of the GDR National Economy, 1981-1985), Dietz publishing house, Berlin, 1981, pp 40-41.
15. Cf. Comrade Erich Honecker, "Aus dem Bericht des Politbueros . . .," op. cit., p 42.

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GERMAN DEMOCRATIC REPUBLIC

CONTACT WITH WESTERN CUSTOMERS URGED TO IMPROVE RESEARCH RESULTS

East Berlin EINHEIT in German Vol 37 No 1, Jan 82 (signed to press 9 Dec 81)  
pp 69-74

['The Topic' feature article by Prof Dr Siegfried Schiller, deputy director, Manfred von Ardenne Research Institute, Dresden: "Greater Yield From Research"]

[Text] In analyzing the research institute's results and experiences, it is being shown how R&D could still contribute more to the implementation of our party's economic strategy. What role is played by top technologies; what is necessary for them to take hold? What does it mean to adapt to the standards of international markets and to customer preferences? How can research be made more dynamic, and how can we speed up the application of R&D data?

The Manfred von Ardenne Institute--founded in 1955--has circa 440 associates. By far the largest part of its research capacity is invested in technological research, notably in the fields of electronic radiation technology, vacuum treatment and plasma technology. The great reputation of the institute, to the efficiency of which its founder and director, Prof von Ardenne, significantly contributed through his own research, is not based solely on its results in applied basic research. It is due in particular also to being rapidly made applicable--in concert with its industrial partners, who always exercise stimulating effects on the research. The research institute works in accordance with the economic accounting principle.

"To know is not enough, one must apply oneself as well.

To intend something is not enough; one has to do it, too."

(Goethe)

To live up to the clearly outlined scientific and technical future requirements in our party's economic strategy and keep in step with international standards, much still has to be done in terms of research efficiency and, particularly, of applying R&D data to production. Much greater efforts are needed for reacting fast to new science data and rapidly transfer R&D results into production. Our present status,

current problems, and a glance at the future tell us that a much higher contribution has to be made to the development of our economy. For research, the future has already started. Ongoing discussions and the many initiatives that are being strongly encouraged by the party and trade union organizations show that inferences are being drawn that conform with the situation. Publications in the daily press and many technical journals reflect the extensive activities in research institutions and enterprises. In particular, EINHEIT also has dealt with the questions of research effectiveness repeatedly. In the following I should like to comment on some experiences I have made myself in industry-related research and draw some conclusions from it. These experiences relate in particular to the development and use of new working principles and with installations unique in character, which have so high a productivity that only a small number of units is needed to satisfy demands. The following remarks therefore are a contribution from practice to practice.

### Saving of Material and Energy

Of all prognoses that are known about economic developmental trends in developed industrial countries for the next decades, one surely will also apply to our own country: Supplying our economy with material and energy will become increasingly difficult; we have to have a larger and, mainly, better production by using less material and energy. Various favorite raw materials are going to become very scarce before the century is up; and scarcity usually increases prices. Price hikes of recent years for certain extremely important raw materials are eloquent testimony to that development, in which a not insignificant role was played by the monopolies' price manipulations, fuzzy speculation business on the capitalist markets, and the exploitation of scarce material for political purposes. Prices for finished products on the average rise much more slowly than for raw materials and energy sources. As highly industrialized capitalist countries like Japan and various West European countries are hard hit by that, competitive pressure on the world market is going to get tougher and will make things also still harder for the GDR. This all the more so because developing countries without raw materials will have even less money to buy industrial products. To be able to pay for the imports in raw materials and energy sources we need, we therefore will have to export more than thus far, partly under difficult conditions.

Success will greatly depend on our being able to save material and energy. A central research task, therefore, lies in new technologies which will make that possible.

Scientific innovations alone, however, do not suffice. Long-term management planning in enterprises combined with a suitable price policy for material and energy sources crucially control our actually taking new approaches. This complexity may be explained by the example of saving silver. Silver has always been used, for example, in making mirrors. Through saving silver, their coating kept getting thinner and their working life, especially in humid rooms, shorter. So we also were looking for new ways that would avoid the use of silver for this purpose altogether. The management of the VEB Flat Glas Combine Torgau, which is in charge of mirror production in the GDR, therefore decided, together with our institute, to introduce an appropriate new technology for it, called Plasmatron-Sputtern. Mindful of the adage, "You will find something new when you do something new," it was then seen that this new technology not only saves silver but also

prolongs the working life. And then some specialized products can also be made that way, which had not been possible at all through previous procedure. Substitution thus need not lead to reduced utility features, as is often commonly assumed. The production line needed is scheduled to be set up still in 1983. The decision to develop it and set it up was made by the Torgau combine management when the development of the process still was in its infancy and the new coating principle had not yet established itself internationally either. Managerial vision and the courage to take risks thus are importantly prerequisite to introducing top technologies early in the game. Our own high technological level in the end now gives us the opportunity to export such scientific-technical accomplishments and get good foreign exchange for them.

Similar long-range planning and high risk willingness by the managements of the VEB Ceramics Works Combine Hermsdorf and VEB Electronics Gera formed the basis for introducing the Plasmatron-Sputtern technique in that industrial branch as well. From the very outset, new products in microelectronics were oriented to other than fine-metal coating though nowhere in the world were any analogous solutions known thus far. Without this focusing on new technologies, many tons of silver would have to be set aside each year in the Ceramics Works Hermsdorf and the VEB Electronics Gera to supply the economy with electronic components. Together with our partners in the glass industry and in electronics, new techniques and installations will be put into production by 1984 that can save a considerable portion of the GDR's overall silver consumption.

Material substitution, however, also has consequences with respect to the technique of planning. Novel technologies and reduced material consumption at times lead to diminished output and, frequently, to higher internal production and a higher proportion of R&D. The introduction of the three proficiency parameters--commodity production, net production and base material per M 100 of commodity production--has greatly eliminated obstacles such processes had to face in the past. Further plan requirement measures could still more accelerate the transition to material-saving commodities and technologies. Our socialist system, in principle, offers the best opportunities for that. A correct stand taken by the managers will decide how fast material-saving technologies can be introduced and how rapidly we can go into making products using up less material while keeping their working life intact.

#### Thinking of the Customers

It is the task of socialist production to be requirement-oriented; social needs must be met at proper quantity and quality and, especially, through acceptable prices. The true technological level, decisive in qualities and costs, is ultimately revealed, particularly, through our export to highly industrialized countries offering us tough competition. "Can a product be sold at reasonable prices on the international markets?"--that marks the essential criterion for the production level and the scope made of the use of science and technology. As early as in the R&D stage, scientists and engineers should imagine themselves in the role of the users. Everyone in research and production should occasionally ask himself whether he would like to be his own customer. And a guideline even in R&D must much more still be composed of questions such as these: Who will be the customer? What would he like and what will he pay? What may I spend for my development and for my product?

Those in development must keep in view the whole chain up to sales and have an idea of the sale's sector and of the prices one can reasonably ask for. The chief features of the products must be accommodated to the use made of them. For sales to Japan, different installation systems must be developed from sales to India or the Arab sector. One customer takes microprocessor controls for granted, another customer must still largely do without. Costs, prices and sales are thus not only of concern to economists; the people in development should also have an idea of and an influence on those areas. What is particularly educational is a direct confrontation between representatives of the development collectives and the users. Those in development can that way be made familiar with how the customers think, which in turn then also stimulates economic ideas. Tough confrontation with the products of competitors and concerning prices again give the developers insights into new interconnections, which can fertilize their future projects. And finally, representatives of the developers collectives are the ones who can properly judge their own products by comparing them with those of the competition. Direct exports by the combines marks a great advance for establishing this feedback from the customer to the development sector.

I have had some experiences that lead me to still another aspect. Contact with customers, especially from countries with a high technical level, is an important information source. Even certain inquiries suggest some developmental trends that may still be in their earliest stages of infancy, or even in a predelivery stage. Such information can no longer be established by reading the literature. Many a capitalist enterprise saves that way considerable R&D funds, has others do the work and research for it, as it were. Most relevantly and economically one can thus use the international status of knowledge for one's own work. Scientific conferences on commercial tasks also often are interesting; after all, right there in the auditorium are sitting the customers of tomorrow, whose attention and interest one must attract.

When Marx said, with respect to capitalist enterprises, that they had to take into account the market requirements lest they perish, that demand is of general importance to the functioning of the social reproduction process. We today must most emphatically draw our own consequences from that. Undoubtedly, through a greater market orientation in all stages, from research to sales, there still are reserves to be found through our organizationally and properly linking research, development, economics, information gathering and sales in organic unity.

#### Research Dynamics

For every good reason, our society expects more top accomplishments, i.e. technologies and products that stand up in international comparisons or that have not even established themselves as yet internationally. To achieve such results, one often has to push into virgin territory. Naturally, one often finds things then of which one had not even thought beforehand. Research planning must have its own dynamics to make industrial use at once of suitable intermediate solutions or even of unforeseen data.

For example, our institute in 1974 was looking for a suitable ionization source for our ionization-based vacuum coating. Then we found a discharge system that meanwhile has become known under the name of Plasmatron atomizer. After a closer

look, it was found that this system had still another property that was much more important. We were looking for property A and found property B. Property B boosted our productivity by more than 500 percent compared with previous systems. One could see that this productivity boost and the implications resulting from it would lead to a transformation of the entire vacuum coating process. Now this realization had to be put into practice with all its proper dynamics. The research plan had to be modified within the current year. Without working through the various developmental stages and without first waiting for a buyer, 10 facilities were set up on our own risk on the basis of the simplest production documentation. A market analysis at that time would probably have remained futile. Decisive for getting things started speedily in our industry ultimately was a clear and positive position taken by party leadership and the state management of the Microelectronics Research and Technology Center in charge of developing and producing the necessary equipment. Due to this quick reaction, this enterprise became the first one in Europe to include the appropriate installations in its production program. By and large responsible for the development eventually were the users who, with confidence in their partners and with the courage to take a risk, had oriented themselves early in the game to this new technology.

When this development was applied, it also became evident, however, that there were still quite some scientists and engineers who in their attitude toward innovations and in the style in which they worked, had settled for being technologically behind the highly industrialized countries. There were not a few who would make do with technologies that had long been established in those countries. Naturally, much less will go awry if one continues doing what has been found practicable elsewhere for years. Always to follow along, however, means settling for being technologically behind and fixing that for good. What matters, however, is to make use of what is internationally known and work on it creatively, as our own conditions permit.

Another conclusion can be drawn from the development explained here: Respecting the unity between process and installation is a key for obtaining top achievements. For new procedures with their appropriate new installation systems, ideas are needed that differ from those that apply to carrying on technologies familiar and introduced for years. It is not enough to be basically dedicated to top achievements; the organization and the working style must be brought in line with high objectives. Too sharp a separation between procedural and installation development then most of the time leads to complications; not even the best coordinated commitments are likely to bridge that gap. Analyzing prospectuses and on that basis working out the commitments to installation development all too often means that one systematically organizes one's own technological backwardness or, because of ignorance, burdens a development, through excessive demands, with unjustified extra expenditures. Only to a limited extent will model testing provide binding assurances, however; the proper technology as such cannot be worked out until the proper installation has been set up. This conflict is best resolved by closely intermeshing the procedural and installation development collectives. And when the installations have been set up, what counts then is that the installation and the technology are made to fit each other, without bureaucracy but with the proper inner determination. Modifications and adjustments in the plant and in the technology intended are in this phase standard procedure.

Those who are engaged in the installation and procedural development then also find out about the intricacies in their creation; negative as well as positive surprises are the rule. Managements have to put together suitable testing collectives, create technical prerequisites, according to plan, for having the testing done properly, and provide courage and confidence, and lend their assistance, when things do not seem to work so well.

#### Matters of Application

The application of R&D data doubtless is among the most difficult tasks in the sequence of the various developmental stages. When one tries to find out why so much time is often used for that, compared with the international level, one runs into causes like the current arrangements about ordering material and components and unreliability in deliveries, which can only to a limited extent be made up for by operations procurement and well targeted inventories. Another developmental factor that is time and cost consuming lies in the scope and accuracy of the documents needed for getting production started. The effort in processing production documentation is especially, and unjustifiably, high when small series production must be carried out in areas that normally deal with large volumes. To keep the installations permanently on a high level, new data are to be worked into new products at intervals that are not too brief; especially in the first few years, the innovation rate is relatively high. The problems resulting from that, mainly in the larger enterprises, can be greatly mitigated if for the solution of such tasks production sectors are set up that are adapted to them in a targeted manner. While many enterprises have made a good start in this, there still are likely to be more reserves to be found in better adapting the production organization to production volumes and innovation rates, so that with less documentation effort modern high-level installations can more quickly go into operation. Even with small series and special installations, after all, excellent business is often possible internationally. Sometimes, together with such installations, one can then also sell procedural know-how. A fast development, production and sales reaction is critical for getting good export orders.

There is one measure that cuts down the time it takes to start new technologies in operation and that is to get going in good time with the man-machine system. When installations and procedures go through their testing stage, production workers should still be involved in it. That can avoid what is sometimes encountered: a breakdown after procedures or installations have started operating. The best experiences we were able to gather came out of the setup of mixed research and production collectives in the VEB Ceramics Works Hermdorf. For months and sometimes even for years, associates of the microelectronics enterprise in that combine are working in our institute and then return to their plant with the new installations in the development and testing of which they themselves were involved. Then comes a phase where associates of our institute work in the production enterprise. Thereby, information slippage can largely be avoided. Operational and maintenance provisions for the installations are prepared partly with the users themselves and are optimally adapted to the operator's conditions. This form of organization presupposes personal sacrifices at times and a high dedication to the fulfillment of the task. But then there is also more pleasure in the work when through this joint effort the colleagues form closer human ties and feel close to their task. Enterprise egoism and waste of manpower for reinsurance can be avoided completely. Our socialist economic system provides all opportunities for that sort of cooperation. What always matters simply is that the fullest use is made of the advantages of socialism and the correct attitude is developed within the collectives.

## MAJOR ECONOMIC ISSUES OF CROATIAN LC PLENUM

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 22 Feb 82 pp 13-14

[Text] The principal topic of the Plenum of the LCC [League of Communists of Croatia] Central Committee, which was held on Thursday, was the draft of the Resolution for the Ninth LCC Congress in mid-May (13-15) in Zagreb. In the draft, which comprises 60 some pages, the commission for drafting the resolution, according to the introductory address in support of the resolution delivered by Ivica Racan, endeavored to concentrate on the key issues and tasks, rejecting the view that this kind of document should cover all areas of activity of the League of Communists if only rhetorically and in principle. That choice was supported in the debate, but there were quite a few suggestions and objections about how it was carried out in this first version, the most important document of the congress. Those critical remarks can mainly be divided into those which are more or less formal in nature (length, repetitions, stylistic vagueness, etc.), and those which enter into the substance of the resolution: how far its coverage should extend, which dilemmas and topics need to be decided.

In actuality, it seems to us, it is not a matter of great moment--though there are differences of opinion even about that--whether the resolution will deal more extensively with the results, difficulties and their causes, or whether this will be left to the report and detailed survey, defining in the resolution primarily the goals and guidelines for the future activity of the League of Communists. The thoroughness and success in defining the diagnosis and the lessons and guidelines following from it are more important.

The very first participant in the discussion, Marko Boric, wanted the resolution to speak to the membership of the LC [League of Communists] as tersely and specifically as possible about the basic problems and tasks, and Cedo Grbic made a related criticism to the effect that it was not enough or necessary to reiterate the solutions offered in the constitution and the Law on Associated Labor, but that a more specific commitment should be made in carrying out certain concepts and principles. He illustrated by saying that the problem of the operation of market and economic laws has for all practical purposes been evaded in the resolution ("it is mentioned in one place, but in several places there seems to have been an effort to save the day without dealing with those market and economic laws"), as has the attitude toward the private sector (toward which, in his judgment, our dominant view is still the

dogmatic ideology based on a fear of class differences and outrageous extremes).

And while he obtained support concerning the private sector and reasonable use and guidance of its potential in conformity with society's needs and relations, in initiating and making the case for the first of his topics ("we cannot go out onto the world market, which at present we are stridently emphasizing on the one hand, if at the same time we are supplanting the operation of the economic laws of the market," accompanied by a reminder that in the constitution and the Law on Associated Labor we set forth that our system operates on the principles of socialist commodity production and the judgment that the voluntaristic evasion of those laws has to a large extent led us to many of the difficulties we have today) he by all appearances touched upon one of the most sensitive and polemical topics.

In the judgment of Stipe Suvar, the resolution might have emphasized more strongly the need to honor and enforce economic laws and business operation on the market, but "combined with the precise addition that this must be a market organized by the associated workers themselves by developing relations proper to associated labor, and by no means a market of mere purchase-and-sales relations in which everyone acts independently and every OOUR [basic organization of associated labor] is waging a fight against all other OOUR's," and in no case without that context "since we today have apologists for the market in Yugoslavia a priori, people who do not say whose market that is and which production relations it would tend to develop. You have even explicit demands along those lines, and in the Federal Assembly there have even been some delegates, for reviving the 1965 reform, yet in our present stage of development we cannot go back to the 1965 reform, since the way it was implemented it strengthened the technocratic monopoly and engendered all those 'isms' and brought us to the condition we have today, in which to a certain degree we are pressured precisely by those old things and are conducting a policy of economic stabilization in order to prevent that."

This already shows the polemical nature of the possible approaches, as was confirmed by the statement made by Kosta Spajic, one of the members of the commission for drafting the resolution, when he mentioned that the issues raised by Grbic had been discussed in several meetings in which, just as here "there had been opposite opinions and, as far as I know, we did not think of anything more intelligent along those lines than to omit the subject." And since he also feels that these are matters which the resolution could not have omitted, he thereupon made an appeal for "this body to take a position on this now." But even Ivica Racan agreed that skirting around the problems which have not been adequately examined or on which opinions differ would lead to opportunism.

Milka Planinc, chairman of the LCC Central Committee, concluded the debate on this occasion with the observation that in the constitution and the LCY Program the fundamental point of departure had been clearly stated, emphasizing that "self-management cannot operate otherwise than in the atmosphere of market conditions, but at the same time self-management and the pooling of labor and capital are the socialist method of overcoming the spontaneity of the

market and the adverse aspects of the market, while this society should take advantage of everything that is constructive in the operation of the market and economic laws...."

How to carry this fundamental point of departure over into practice most successfully after the upcoming congresses, that is a question on which valuable guidelines should be offered by the upcoming congress debate in the party rank and file, which has been stimulated not only by the proposed version of the resolution, but also by experiences gained by self-managers and the party rank and file in their activity to date and in the events which have taken place.

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CSO: 2800/292

## CREDIT PROBLEMS PREVENT DEVELOPMENT OF SMALL BUSINESS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 22 Feb 82 p 17

[Text] The development of small business has not yielded the results desired so far; this observation was to be heard once again last week at a meeting of the commission for small business of the Economic Chamber of Yugoslavia. That is, in the previous medium-term period the growth rate of production and services of small business reached only 5.2 percent instead of the planned 7.2 percent, and the size of its work force also grew slower than planned.

The social compacts concluded at the level of Yugoslavia and then in almost all the republics and provinces concerning the faster development and encouragement of small business, which still have not been altogether reconciled with one another, have still not resulted in specific and effective measures. According to the report presented at that meeting most has been done so far in the field of fiscal policy. That is, so it was said, taxes are no longer a check on the development of small business. Incentives, however, have not yet been worked out, they are inadequate and they vary from republic to republic. For example, small business organizations in Croatia are exempted from the income tax, while in Serbia this is the case only with newly established organizations. In many places the regulations which pertain to small business are just in the process of enactment, or that task is still in the future. All in all small business by and large faces the same set of problems. These are primarily the following: a credit financing procedure that is unfavorable to small business and does not encourage it, and then difficulties about importing production supplies, obtaining foreign exchange, the high import charges.... Nor have the conditions improved in obtaining commercial space, and there are also personnel problems....

It seems that the credit financing procedure is the most unfavorable factor and, as it was stated on this occasion, the principal reason for the retarded development of small business. The sources of credit for small business are the following: funds for development of underdeveloped regions, resources of the SIJZ [Self-Managing Community of Interest] for Old-Age and Disability Insurance, its own resources, and in certain cases the resources of work organizations or sociopolitical communities. The banks still have not become the usual partner of small business in credit financing, and it is still rare for a bank here and there to set aside resources for this purpose. Insofar as it does so, the terms and conditions do not differ from the mode of cooperation

with "big" business, but those interest rates are high for small business, nor are the repayment periods suitable. That is, these activities, which have a low rate of capital formation and are labor intensive, have to agree to repayment periods extending from 3 to 20 years (if it is a case of the private sector) and interest rates running from 10 to 12 percent, or a repayment period of 10 years at an interest rate of 9 percent, for the socialized sector of small business. Sources based on foreign credits have just begun to be used.

The next most important troubles of small business lie in the foreign trade and customs regime. Up to now small business has exercised rights to foreign exchange through self-management accords with the rest of the economy. Now it is entitled to a quota which depends on the payments-balance positions of the republic. Yet this still does not guarantee that sufficient foreign exchange will be furnished to import production supplies.

In future the development of small business will depend in large part on the relations and motivation of other business and distribution organizations. At present cooperation between these organizations is more on an ad hoc basis and short-lived. The large-scale economy seems not to be particularly interested in concerning itself with the development of small business, and small business lacks the resources and strength to do this on its own.

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## FOREIGN TRADE IN AGRICULTURAL, FOOD PRODUCTS, 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Feb 82 p 3

[Article by Milorad Urosevic: "Deficit Cut in Half"]

[Text] In the situation when growth of exports and a corresponding appreciable reduction of the trade deficit, which is viewed a bit one-sidedly through the figures showing the results achieved, are a condition for achieving economic stabilization, the exports and imports of the branches and groupings of the economy making up the agroindustrial complex can be considered satisfactory. The qualification arises from the fact that during the past year emphasis was put mainly on exports, even when a direct consequence of that orientation was a shortage of the same commodity on the domestic market so that purchases abroad had to be made.

The second fact is that exports were forced regardless of economic benefit, since the question of economic justifiability of exporting was not even posed, but on the import side there was some "holding back," mainly concerning those products which are not available in the country, or ingredients of livestock feed whose shortage will only be felt in the future or tropical fruit and coffee, previously imported in unlimited amounts and now increasingly rare in domestic stores.

However, something more about these results can be learned, especially with respect to the rise of the coverage of imports by exports and the reduction of the deficit only on the basis of the figures.

Food Exports and Imports 1980 and 1981, in millions of dinars

	1980			1981		
	Exports	Imports	Difference	Exports	Imports	Difference
Food manufacturing industry	17,094	13,303	+ 3,791	16,089	16,272	- 183
Beverages industry	2,169	178	+ 1,199	2,884	88	+2,756
Livestock feed	84	191	- 107	59	237	- 178
Tobacco manufacturing	2,591	638	+ 1,953	3,515	391	+3,124
Field crops	3,949	17,180	-13,231	4,434	12,242	-7,808

Table (continued)

	1980			1981		
	Exports	Imports	Difference	Exports	Imports	Difference
Fruitgrowing	840	9,557	- 8,717	1,177	7,123	-5,946
Grapegrowing	177	-	+ 177	110	--	+ 110
Animal husbandry	2,730	3,688	- 958	4,509	4,260	+ 249
Fishing	307	658	- 351	387	537	- 150
Total	29,941	45,393	-15,432	33,124	41,150	-8,026

Coverage of imports  
by exports, %

66.0

80.5

In relative terms exports in 1981 increased 10.6 percent over 1980, while imports dropped 9.7 percent, and the deficit was reduced from 15.432 billion dinars in 1980 to only 8.026 billion last year, which means a 48-percent reduction. Converted, this means that the trade deficit of the agroindustrial complex in 1980 was \$566 million, and last year it was \$294 million, since the coverage of purchases abroad increased from 66.0 percent to a high 80.5 percent.

As is evident from the table, in both those years a surplus was shown by the beverages industry, the tobacco industry and grapegrowing, and last year by animal husbandry as well in a smaller amount. The industries from which the most was expected showed the least. The food manufacturing industry, in which enormous capital was invested in the view that it would be the backbone of strengthening the competitive capability of Yugoslav food producers and of increasing their share in the international division of labor, showed a drop of 1 billion dinars in its exports in 1981 and increased its imports by 3 billion over the previous year.

By contrast with the food manufacturing industry, field cropping is not so much expected to export or to increase its exports as it is to make a much greater effort to free the country of imports, which last year was only partially achieved, and there was no very realistic prospect that that reduction would continue and would thus contribute to balancing exports and imports of grain. The growth of exports by about half a billion dinars and the reduction of imports by about 5 billion brought the coverage of imports by exports of Yugoslav field crops from 23 percent in 1980 up to 36 percent last year, which can by no means be considered satisfactory. Still less is there reason for a "good night's sleep" when we learn that in addition to the half a million tons of wheat imported last year, at least as much again will have to be purchased before the new harvest, and imports of between 300,000 and 400,000 tons of corn have become inevitable.

These are the facts or the consequences, and the causes cannot be attributed solely to food producers, though they bear the greatest portion of the blame. The influence of prices of everything necessary to food production, and

especially the uncertain position of private farmers, who hold about four-fifths of the entire production potential in agriculture, those are certainly the essential causes, though they are not insoluble; it is only that a bit more goodwill is needed to correct them.

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COMPLAINTS OF PRIVATE FARMERS DESCRIBED

Belgrade DUGA in Serbo-Croatian No 206, 16 Jan 82 pp 25-27

[Article by Dragoljub Golubovic: "How I Found the Federal Minister for Agriculture"]

[Text] These are the days that belong to the peasant. The ground is covered with snow, the livestock is in the barn, and the winter holidays have come along one after the other. Even the poorest is cutting up some bread or roll, and there is a smell of country cooking from the pot on the woodstove.

Plum brandy is poured out, mild and strong, cold and mulled. Or one after the other. He sits, he talks and he converses.

They are not holding pencils in their hands, but everyone is "computing" and "recomputing" something, he is thinking what he will do and what he will do it with, since, like it or not, he is still the only one under these skies who has to look up to the stars and think what kind of year it will be: a good year or bad year, rainy or dry? Will it be a flood or burn up, in spite of the chemicals applied as fertilizer to the soil?

When the city is rejoicing in the warm winter days, the peasant is afraid that growth might begin, that the fruit trees might start to bud, and then fall off as in the song about the willows and sterile women: "You flowered, but you did not bear." I spent Christmas in a well-run household in the Stig region, at Drmno and later at Klicevac, where the land is so fertile that "You sow a dinar in the morning, and in the evening a 100-dinar note springs up."

I listened to those people measure things three times, and then cut once, I listened to them computing what to sow and what to not sow, what is worth it and what isn't, and I remembered the times when Prince Milos had the need to talk over some affair of state with sensible men of the people. To that end, as the anecdote goes, he and his close associate chose one sober-minded man from each district. Coming to the Uzice District, they asked him: "How shall we do it, Prince?" And he answered: "That at least is easy! Write down immediately and summon whoever comes into your head first. They are all the same."

If Prince Milos knew at that time that the first peasant they met in the Uzice District was capable of being a national deputy, everyone here in the Stig District could today be a minister of agriculture. It even seems that the fellow without education knows more than the one who has attended the university.

But as if no one is listening to them.

"The Peasant Carried Off the Money ..."

We were sitting in a well-run house in Drmno, drinking a bit of homemade red wine.

There was ice outside, the wind was sweeping down the Danube, cutting like a knife, as though it were bringing all the blizzard from the Carpathians.

No one wanted to go out, and anyway where would they go? They do not go to coffeehouses on holidays, but sit around the table with friends. To talk and agree on things.

It is said, everyone says--"The peasant is taking away the money"! But the peasant, who spends 16 hours in the fields, in the stables, in the wind, in the rain, in the mud. Everyone is trying to take as much as possible from him.

Milosav Arsic of Klicevac tells how this is being done, how others are skimming off the cream.

Their cooperative, Jedinstvo in Pozarevac, he says, does not have a single tractor, but has 26 cars. Not a single calf, but 120 people in the office. So why should one enter into association with them? They are not producing anything, but it turns out that they are advancing agricultural production. Commerce is their entire business. They buy and resell. The peasant produces, and they collect the sales margin.

"They divide up surpluses, and we divide up losses," Milosav says.

We are drinking wine, but we are talking about milk.

And How the Peasant Gets Into Trouble

"Everything has gone topsy-turvy! Why," he says, "put a rebate on milk or any other product? The peasant does not need that, that dinar per liter which the republic gives him. Let them buy milk at a cheaper price. But let them put a rebate on the supplies the peasant cannot do without. That is the way to create conditions for production."

And down the line, from milk to fertilizer.

Milosav cites the example of manufactured fertilizer. It is expensive, and there isn't any. And if it does arrive, it arrives when it is already late, when the plant has passed its part of the growing season.

Everything the peasant has he sells to the cooperative, and the cooperative to the processor: grain to the mills, meat to the packinghouses. If there is to be more of all of that, both grain and livestock, he has to have fertilizer, seed, tractor parts and herbicides. But what happens? The fertilizer factories are seeking a loan from the peasant. If he doesn't give the loan, there is no fertilizer. No one even mentions the packinghouses and the livestock feed mills.

Can it be that they, above all, a man says, "are not interested in promoting production, in being able to purchase more, in everything being available and cheaper in the markets?"

I listened to them in their sincere talk and heard how some things they could not understand at all. Society, they say, allows the processors to raise prices. They raise them on the basis of their "declared" needs. The peasant does not get anything from that, he is still in trouble. They do not raise his purchase prices, since, it now turns out, stabilization has to be achieved, the standard of living has to be protected!

"The peasant wants to feed the worker," Dragi Stojanovic breaks in, "but the bureaucracy will not let him...."

Meat here is like wood, but, as we know, there is none on the market. Domestic customers are waiting there, exports are waiting, everyone is looking to the peasant, but the peasant is unable to do anything. How to organize production?

The cooperative does not grant them, they tell, a larger credit than 20,000 dinars per head of young beef cattle, and that at 4-percent interest. But with that money one can buy only a calf weighing 250 kg. A peasant who obtains such a credit signs a contract that he will turn that calf into young beef in 3 months. In that time unfortunately he can gain only 100 kg. That is a total of 350 kg, but the cooperatives are not purchasing young beef lighter than 450 kg. And what now? The peasant has not performed under the contract, he pays another 4 percent in penalty interest and 100,000 per head of young beef for not having fulfilled the contract. He has a young animal for beef, but one which no one will buy from him.

So fine, better then to eat it, though that is not what he wants.

"That is why every day, every hour, is measured in terms of credit," Milosav says. "But the peasant is unable to take part in that race against time. It is true that he could add his own money to what he has obtained, and to buy a larger calf for fattening, and everything would be all right. But where is he going to get the money? When he sells his goods to the cooperative, he has to wait some 2 months for them to pay him. And that applies also to grain, to milk and to meat. The cooperative is turning over his money, but he is dizzy in the head and is waiting."

When one sits and waits, he can expect worse to come!

Thus on the basis of a contract with the cooperative concluded in March last year our Milosav sold sugar beets at 1 dinar 70 paras per kilogram with the proviso that he receive a certain amount of sugar at the prices in effect at that time--17 dinars per kilogram. But when the time came for them to give him his sugar, somewhere in August, they billed the sugar at the new prices--at 28 dinars. Thus his sugar became bitter.

How the Worker and the Peasant "Take Care"

Or, the tale about sunflowers.

Milosav delivered the sunflower seed under the same contract and at the same time. He sold the sunflower seed at 18 dinars, and the cooperative sold him oil at 32. That at least was the agreement. However, now the cooperative is delivering him oil at 48 dinars, and if he doesn't want it, he does not have to take it. It is more expensive on the market.

That is how the cooperative "keeps to" the contract.

They buy at any price they like, and later they also seek price rises from the Federal Executive Council. "They complain and they get it. And what we have produced they sell at any price they like. No one asks the peasant anything."

The host pours out ruddy wine. There is no water or sugar in it. A clear head. The more you drink, he says, the straighter you will stand. And it does not nourish only the soul, but also the spirit.

"Who sets the price on tractors?" Dragi wonders, who would just like to run into him somewhere. There is money, and there are no tractors. He asks and answers the question himself: "The worker! The one who produces the tractor. Who makes the decision to raise the price of tractors? Again the worker, the direct producer, on the basis of some calculation of his own concerning the work invested. And who sets the price on corn? On grain, meat, milk?... The government! Others in his name. No one asks him anything. So, there it is, the worker is looking out for his income, but the peasant is 'taking care' not to threaten the worker's standard of living. By God, we take good care of you, instead of our entering into agreement."

The right moment has come for Milosav to take the floor:

"The rural voice is not heard very well. Farmers are poorly represented in the delegate system. In society, in the reaching of agreements, if we can call it that. When a vote is taken in SIZ's [self-managing community of interest] to raise the rates of various contributions, the peasant is the minority in that 'voting machine.' He is outvoted...."

There is, of course, no end to the tales. And we were just about to return to the dining room when Zvonko Milenkovic of Kostolac, a friend of the host's, came in the door.

## You Can Watch the Crop Grow Before Your Very Eyes

"Eh, this one," Milosav says, as he spies him at the door, "has given up both livestock and grain."

The man, caught by surprise in this way, sits down to get his bearings and rub his frozen hands.

The woman of the house brings hot brandy, Zvonko lights up, and begins his tale.

He had been sowing corn on 10 hectares of land, that corn that goes to the sky. He had even been leasing land in order to produce still more. He was a pure farmer, as they are called, pure as before the church. And his palms are like tanned hide. Work, from dawn to tomorrow.

In the fall he would have as much as seven cars of corn in his cribs, which are 20 meters at the bottom. One year he would sow corn and the next sugar beets. From this fertile soil he would harvest as much as 33 cars of sugar beets. Anything you throw into that soil will bear! You can watch it grow before your very eyes.

Zvonko also kept livestock. As many as 50 to 60 young beef cattle in a "batch." And three or four batches during the year.

Now there is none of all that. Neither ears of corn nor livestock. The corn cribs are empty, and the barns are closed. And he no longer sows sugar beets.

He says of corn and sugar beets that he never knew what price they would give him.

"You never know whether it is better to have a big crop or a little one?! When it is good, they drop the price, when it is not good, you still lose."

He was unable to wait for a better price, since he had no "capital." He needs his money immediately, people are waiting for it like ravens on all sides. The SIZ's, fiscal authorities, the people at home.... Much less think how to cover the costs of a new crop? And so when everything is deducted, when you render to the emperor what is the emperor's and to God what is God's, the net result of all that corn and sugar beets is--zero! "Absolute zero!"

## When the Cooperative Cuts Out His Cap

He no longer raises livestock, since he simply loses! When he delivers the fattened young beef cattle, they do not pay him immediately, he says, but when they are slaughtered. Afterwards they classify the meat, and a first-class bull can be put in the lower category of a nondescript local animal. Only to get around the price in the Official Gazette. It is true that the government guarantees the price, but the cooperative decides the class of the meat.

That is the case, Zvonko tells, both with meat and milk and also wheat. Even when they "pay him honestly," the cooperative takes out a 5-percent commission per bull, the slaughterhouse 1,000 dinars per head just to slaughter the animal. Everyone has a certain profit built in, and he, the peasant, the farmer, the private producer, gets what is left....

#### Yet the Man Is Not Unhappy

But, strange to say, Zvonko is not unhappy because of all this. Although he is now buying milk from a "neighbor" by the tenth of a liter, bread at the bakery and sugar in the store. He has worked out another calculation.

On his farm, on his hectares—in the heart of fertile Stig—Zvonko is now planting blackberries! And roses! Instead of grain, he is planting "thorns"! A man born in the grain, who has always looked fondly on cribs full of golden corn, has become a blackberry grower.

Instead of ears of corn, "oh, my ear of corn in the midst of the bare hills ..."—briars are springing forth! But the briars are bringing in millions. You do not even have to water or spray blackberries. Blackberries are more fruitful and patient. If there is no irrigation, the crop is two cars on 2 hectares. If there is irrigation, and if it is a good year, he gets a car more. Three cars go for 90 million old dinars. He can sell as much as he likes at a good price. The west, they say, is swallowing up our blackberries like crazy.

And for 12,000 roses from half a hectare of land he gets 20 million! He did not get that much even for a corn crop grown on 10 hectares. Neither corn, nor livestock, nor sugar beets would bring him that much in 4 years.

"If that is the way it is going to be," Zvonko says, "let the one who will have less be unhappy. If that is the way, it can go topsy-turvy!"

So that is why there is no milk, sugar, flour, meat.... That is where the lines come from!

But he will be a flower seller!... "Buy my red roses...."

That is how those who are resourceful get by, to their own benefit, to society's loss. And the rest?

Rural children do not want to remain on the soil, to turn over fallow land. They all want to turn over the leaves of books, some sort of book at least, just to get some schooling. No one wants to be all muddy.

The girls mostly go to medical schools.

"There will be a time," Milosav Arsic says, "in 10 to 15 years when there will be one nurse to come for every baby to every housewife who remains in rural areas."

Thus, when they take employment, they will be seeking from their fathers still larger appropriations for SIZ's in the field of health care, for the health centers they will work in. But there will be fewer and fewer sick people in rural areas.

And, what is to be done?

We are back to where we were at the beginning of the tale.

I asked the first man I came upon in Stig, I asked this Milosav Arsic, an ordinary peasant, a field cropper, what he would do if he were minister of agriculture, and he said:

If I Were Secretary for Agriculture ...

First, I would not bill the peasant by quarters. He would pay the tax at the end of the year, since the farmer is not a "monthly person"--he does not receive a salary on a monthly basis. This way, the tax bill comes in for partial payment, and he must sell goods at the wrong time, when the price is poor. If by 15 February he has to pay for the first quarter 35 percent of the total tax bill on the basis of the cadastre income from the previous year, then he has to sell the pig before it has become a hog or the calf before it has become a bull.

Second, I would guarantee prices for all farm products before planting so that the peasant knows what to plant and what he can expect. That is done even in the tourist industry where nothing grows. The man who does not set the price in October cannot reap the tourist harvest up to the end of the year.

Third, the peasant pays 63-percent social security on his cadastre income, and he has no protection against job accidents, nor does he have sick leave for that money. Only medical treatment. If he wants a pension, he has to pay 19 percent on the basis of the average republic income, while a worker in associated labor pays only 11 percent of gross income. Really, why should we not be on an equal footing, when in the war we built the "country of workers and peasants"? This way we are both doing harm.

Fourth, in the field of culture the city is getting everything, but rural areas are paying for everything. If one wants a paved road to his house, a cultural center, electricity, or drinking water ... he must pay an optional local tax. If someone in the house is working in the city, then the surplus value of his labor remains there. In this area why should we not respect the slogan: "Culture to the people!" To one's own people. After all, the young people are fleeing the rural areas because of the "lack of culture."

Fifth, the income which through "joint production" the peasants receive from the packinghouses, factories and other processors of their products should go back to rural areas. Instead of the economy being subsidized from the profit earned, we subsidize it from Austria and Germany. I have sent my son and daughter-in-law to Austria to work to make an investment in agriculture for me. Instead of exporting meat, we are exporting producers to others.

Sixth, I would see that rural areas get what they need--the conditions to carry on farming. If a private individual can have a car to take a ride, a peasant can have a tractor to work with. Tractor attachments, drills, harvesters, planters.... And to purchase them for his own dinars, not for foreign currencies, as he must, if he wants one, say, a Zetor from Czechoslovakia. After all, there are no domestic Fergusons, and outside one makes payment in foreign currencies. Where is the peasant to get foreign currency? It is only the packinghouse which is exporting his meat which gets the foreign exchange.

Seventh, the peasants are cutting back the area of their plowland, they are selling land to the socialized sector, which is not paying the burden on that land which the private farmer is paying, so that then the SIZ's are compelled to raise the rates of contributions on that area which the peasant still has in order to meet its needs. But there is a real need to keep the peasant on the land and to encourage him to produce more and better.

So, that has been our conversation during these winter days at a rich dining table in rich Stig.

It is not true that things are bad with them. And it is true that they are living better.

But it is also true that they could live still better. After all, the peasant, they say, did not come into this world just to bear children, to wage war and to pay taxes.

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## KRAGUJEVAC AUTO PLANT ACHIEVES GOOD EXPORT RESULTS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Feb 82 p 3

[Article by M. Jovicic: "Net Foreign Exchange Inflow for the First Time"]

[Text] The Crvena Zastava Plants have for the first time planned for this year a net inflow of foreign exchange: in the manufacturing of vehicles they expect exports in the amount of \$276 million, while imports of parts and components and of vehicles on the basis of long-term industrial cooperation with the Soviet Union, Poland and Italy will be several million less.

More than 60,000 passenger and commercial vehicles will be offered to customers abroad, which is about 50 percent more than were exported last year. This figure does not include exports of delivery trucks, since the plan has not yet been drawn up for the foreign sales of vehicles from the factory in Sombor.

The largest share in total exports of the Crvena Zastava Plants will be achieved by the Kragujevac auto plant, which is to have a net foreign exchange inflow of \$215 million. Within that amount the share of industrial cooperation is \$120 million and it is balanced on a 1:1 basis.

The factory in Kragujevac will this year offer the foreign market 55,000 vehicles, which is about 20,000 more than in 1981. Conventional export sales will amount to 36,000 vehicles, while the remaining amounts will be covered by international industrial cooperation. The largest number of cars will be delivered to Egypt, more than 16,000, and then to Algeria, 10,500, to Syria, 5,000, to Poland, 2,950, and so on.

Aside from passenger cars, the Crvena Zastava Plants are also exporting parts installed in vehicles of the Soviet Union, Poland and Italy on the basis of long-term cooperation with business partners abroad. In return the factory in Kragujevac will obtain parts of equivalent value for its own vehicles and cars being sold on our market. In this way domestic customers will be offered about 27,500 Ladas, Polonais, 126-P's, 125-P's, and Fiat 132 Argents.

Within the commercial vehicle program the Crvena Zastava Plants will this year export 5,800 trucks under 2.5 tons capacity and sizable quantities of components for Fiat vehicles to Italy. The Kragujevac factory will receive from Italy the same amount in the form of parts which have not yet been put into

production in Yugoslavia. Incidentally, more than half of the total output of commercial vehicles (the plan for this year is 10,200 trucks) will be exported. In addition, one out of every four passenger cars is scheduled for export.

The sizable growth of vehicle sales on the foreign markets was indeed the only way of furnishing foreign exchange for the indispensable importation of components and industrial supplies which are not manufactured within the country. This is supposed to make it possible to improve supply this year, since a portion of the foreign exchange will also be offered to subcontractors using imported raw materials.

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